

**HALK YATIRIM MENKUL DEĞERLER  
ANONİM ŞİRKETİ**

FINANCIAL STATEMENTS AS AT  
31 DECEMBER 2018 AND  
INDEPENDENT AUDITOR'S REPORT

**(CONVENIENCE TRANSLATION OF  
FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH)**

**(CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH)**

**INDEPENDENT AUDITOR’S REPORT**

To the General Assembly of Halk Yatırım Menkul Değerler A.Ş.

**A) Report on the Audit of the Financial Statements**

**1) Opinion**

We have audited the financial statements of Halk Yatırım Menkul Değerler A.Ş. (“the Company”) which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRSs”).

**2) Basis for Opinion**

We conducted our audit in accordance with the Standards on Independent Auditing (“SIA”) which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Independent Auditors* (“Code of Ethics”) published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **3) Emphasis of Matter**

As further disclosed in Note 26, as a result of the litigation held in United States of America (“USA”) against one of the former directors of the Türkiye Halk Bankası A.Ş. (“Parent Bank”), which is the main shareholder of the Company, as of 16 May 2018, the former director has been found guilty of some of the changes made against him by the court of law and sentenced to imprisonment. The Parent Bank is neither a party of the litigation nor it directly interferes with the litigation. There are no fiscal or judicial decisions regarding Parent Bank made by the court. Independently from the aforementioned litigation, there is uncertainty regarding the decision that may be made by the authorised bodies of the USA, which may then negatively affect the financial position of the Parent Bank, and the probable impact of the matter over the Company. It is indicated that the Management of the Parent Bank is not implementing any possible sanctions or precautions against the Parent Bank at this stage of the matter. However, the matter does not affect our opinion.

### **4) Key Audit Matters**

We have determined that there are no key audit matters to communicate in our report.

### **5) Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

### **6) Auditor’s Responsibilities for the Audit of the Financial Statements**

In an independent audit, our responsibilities as independent auditors are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Independent Auditing Standards published by the Capital Markets Board will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**B) Report on Other Legal and Regulatory Requirements**

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 (“TCC”), nothing has come to our attention that may cause us to believe that the Company’s set of accounts and financial statements prepared for the period 1 January - 31 December 2018 does not comply with TCC and the provisions of the Company’s articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor’s report is Müjde Aslan.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Müjde Aslan, SMMM  
Partner

İstanbul, 14 February 2019

## CONTENTS

	<u>Page</u>
<b>STATEMENT OF FINANCIAL POSITION</b>	1
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	2
<b>STATEMENT OF CHANGES IN EQUITY</b>	3
<b>STATEMENT OF CASH FLOWS</b>	4
Notes to the Financial Statements	5-63
Note 1 Organization and operations of the Company	
Note 2 Basis of presentation of the financial statements	
Note 3 Cash and cash equivalents	
Note 4 Financial investments	
Note 5 Related party disclosures	
Note 6 Trade receivables and payables	
Note 7 Financial liabilities	
Note 8 Other non-current assets	
Note 9 Other receivables and payables	
Note 10 Investments valued by equity method	
Note 11 Prepaid expenses	
Note 12 Property, plant and equipment	
Note 13 Intangible assets	
Note 14 Provisions, contingent assets and liabilities	
Note 15 Provisions for employee benefits	
Note 16 Tax assets and liabilities	
Note 17 Shareholders' equity	
Note 18 Revenue and cost of sales	
Note 19 Marketing and general administrative expenses	
Note 20 Expenses by nature	
Note 21 Other operating income and expenses	
Note 22 Finance income and expenses	
Note 23 Nature and level of risk derived from financial instruments	
Note 24 Financial instruments	
Note 25 Non-current assets held for sale	
Note 26 Other matters	
Note 27 Events after the reporting period	

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Statement of Financial Position as at 31 December 2018**

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

		Audited	Audited
	Notes	31 December 2018	31 December 2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	108,310,347	736,995,978
Financial investments	4	53,305,009	22,725,244
Trade receivables	5-6	103,332,593	101,342,889
- Trade receivables from related parties	5	228,767	304,915
- Trade receivables from third parties	6	103,103,826	101,037,974
Other receivables	9	17,156,552	3,856,939
Derivative instruments	23	488,733	579,161
Prepaid expenses	11	1,624,331	1,526,068
Current tax assets	16	10,857,985	2,841,441
<b>TOTAL CURRENT ASSETS</b>		<b>295,075,550</b>	<b>869,867,720</b>
<b>NON-CURRENT ASSETS HELD FOR SALE</b>	<b>25</b>	<b>9,624,573</b>	<b>-</b>
<b>Non-current assets</b>			
Financial investments	4	3,502,740	3,209,261
Investments accounted thorough equity method	10	-	7,361,739
Property, plant and equipment	12	2,271,687	2,091,526
Intangible assets	13	870,562	304,828
Other non-current assets	8	2,156,017	1,638,281
<b>TOTAL NON-CURRENT ASSETS</b>		<b>8,801,006</b>	<b>14,605,635</b>
<b>TOTAL ASSETS</b>		<b>313,501,129</b>	<b>884,473,355</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities	7	52,355,826	663,058,807
Trade payables	5-6	60,603,259	78,691,854
- Trade payables to related parties	5	964,732	766,875
- Trade payables to third parties	6	59,638,527	77,924,979
Other payables	9	6,769,843	4,927,193
Short-term provisions		3,528,008	3,622,010
- Short-term provisions for employee benefits	15	2,736,112	2,714,520
- Other short-term provisions	14	791,896	907,490
<b>TOTAL CURRENT LIABILITIES</b>		<b>123,256,936</b>	<b>750,299,864</b>
<b>Non-current liabilities</b>			
Long-term provisions		1,920,566	1,499,508
- Long term provisions for employee benefits	15	1,920,566	1,499,508
Deferred tax liability	16	748,895	1,393,101
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,669,461</b>	<b>2,892,609</b>
<b>EQUITY</b>			
<b>Equity attributable to the parent</b>			
Share capital	17	104,000,000	82,000,000
Restricted reserves appropriated from profit		15,921,709	12,135,929
Accumulated other comprehensive income that will be reclassified subsequently to profit or loss		-	1,924,018
-Gain on revaluation and remeasurement		-	1,924,018
Accumulated other comprehensive income that will not be reclassified subsequently to profit or loss		1,424,145	(805,853)
-Gain on revaluation and remeasurement		2,229,998	-
-Other gains/(losses)		(805,853)	(805,853)
Retained earnings		6,141,008	3,462,787
Profit for the period		60,087,870	32,564,001
<b>TOTAL EQUITY</b>		<b>187,574,732</b>	<b>131,280,882</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>313,501,129</b>	<b>884,473,355</b>

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

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**for the Year Ended 31 December 2018**

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

	Notes	Audited 1 January - 31 December 2018	Audited 1 January - 31 December 2017
<b>PROFIT OR LOSS</b>			
Revenue	18	1,641,079,919	524,258,331
Cost of sales	18	(1,534,478,013)	(454,175,401)
<b>GROSS PROFIT</b>		<b>106,601,906</b>	<b>70,082,930</b>
General administrative expenses	19	(33,789,433)	(31,271,101)
Marketing expenses	19	(12,395,435)	(9,548,126)
Other income from operating activities	21	1,365,096	567,843
Other expenses from operating activities	21	(1,432,471)	(366,335)
<b>OPERATING INCOME</b>		<b>60,349,663</b>	<b>29,465,211</b>
Share of profit/(loss) of investments accounted for using the equity method	10	2,475,334	2,434,520
<b>OPERATING INCOME BEFORE FINANCE EXPENSE</b>		<b>62,824,997</b>	<b>31,899,731</b>
Financial income	22	147,334,057	96,923,794
Financial expense	22	(133,878,029)	(88,152,802)
<b>PROFIT BEFORE TAX</b>		<b>76,281,025</b>	<b>40,670,723</b>
Tax expense/income			
- Current tax expense	16	(16,837,361)	(8,224,526)
- Deferred tax income / (expense)	16	644,206	117,804
<b>PROFIT/LOSS FOR THE PERIOD FROM CONTINUING ACTIVITIES</b>		<b>60,087,870</b>	<b>32,564,001</b>
<b>PROFIT FOR THE PERIOD</b>		<b>60,087,870</b>	<b>32,564,001</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>305,980</b>	<b>372,605</b>
<b>Items that may be reclassified subsequently to profit or loss</b>			
Gain on revaluation and remeasurement		-	372,605
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Gain on revaluation and remeasurement		305,980	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>60,393,850</b>	<b>32,936,606</b>

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



**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
**Statement of Changes in Equity for the Year Ended 31 December 2018**  
(Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

Audited	Notes	Share capital	Accumulated other comprehensive income that will be reclassified subsequently to profit or loss		Accumulated other comprehensive income that will not be reclassified subsequently profit or loss	Restricted reserves appropriated from profit	Retained earnings		Equity
			Currency translation differences	Gain on revaluation and remeasurement			Prior years' profits / (losses)	Profit/(loss) for the period	
<b>Balances as of 1 January 2017</b>		<b>82,000,000</b>	-	<b>1,551,413</b>	<b>(805,853)</b>	<b>10,610,120</b>	<b>675,741</b>	<b>16,476,308</b>	<b>110,507,729</b>
Transfers		-	-	-	-	1,525,809	14,950,499	(16,476,308)	-
Profit for the period		-	-	-	-	-	-	32,564,001	32,564,001
Other comprehensive income		-	-	372,605	-	-	-	-	372,605
<i>Net carrying value of available for sale financial</i>		-	-	<i>372,605</i>	-	-	-	-	<i>372,605</i>
<b>Total comprehensive income</b>		-	-	<b>372,605</b>	-	-	-	<b>32,564,001</b>	<b>32,936,606</b>
Dividend payment		-	-	-	-	-	(12,163,453)	-	(12,163,453)
<b>Balances as of 31 December 2017</b>		<b>82,000,000</b>	-	<b>1,924,018</b>	<b>(805,853)</b>	<b>12,135,929</b>	<b>3,462,787</b>	<b>32,564,001</b>	<b>131,280,882</b>
<b>Balances as of 1 January 2018</b>		<b>82,000,000</b>	-	<b>1,924,018</b>	<b>(805,853)</b>	<b>12,135,929</b>	<b>3,462,787</b>	<b>32,564,001</b>	<b>131,280,882</b>
Transfers		-	-	(1,924,018)	1,924,018	4,375,838	28,188,163	(32,564,001)	-
Profit for the period		-	-	-	-	-	-	60,087,870	60,087,870
Other comprehensive income		-	-	-	305,980	-	-	-	305,980
<b>Total comprehensive income</b>		-	-	-	<b>305,980</b>	-	-	<b>60,087,870</b>	<b>60,393,850</b>
Dividend payment	17	-	-	-	-	-	(4,100,000)	-	(4,100,000)
Capital increase	17	22,000,000	-	-	-	(590,058)	(21,409,942)	-	-
<b>Balances as of 31 December 2018</b>		<b>104,000,000</b>	-	-	<b>1,424,145</b>	<b>15,921,709</b>	<b>6,141,008</b>	<b>60,087,870</b>	<b>187,574,732</b>

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

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Statement of Cash Flows for the Year Ended 31 December 2018**

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

		Audited 1 January- 31 December 2018	Audited 1 January- 31 December 2017
	Notes		
<b>A. Cash flows from operating activities</b>		<b>104,447,045</b>	<b>117,350,106</b>
<b>Profit for the period</b>		<b>60,087,870</b>	<b>32,564,001</b>
<b><u>Adjustments to reconcile profit for the period:</u></b>			
Adjustments related to depreciation and amortization expenses	12-13	1,264,382	891,042
Adjustments related to provisions		2,980,930	2,642,814
-Adjustments related to provision for doubtful receivable expense	6	406,550	(84,842)
-Adjustments related to provision for retirement pay expense	15	641,891	1,159,362
-Adjustments related to provision for unused vacation expense	15	226,491	203,611
-Adjustments related to provision for personnel dividend premium	15	1,821,592	1,800,000
-Adjustments related to provision for provision for payables expense	14	(115,594)	(435,317)
Adjustments related to tax expense/income		16,193,155	8,106,722
-Adjustments related to current tax expense income/(expense)	16 16	16,837,361 (644,206)	8,224,526 (117,804)
Adjustments related to interest income and expenses		25,824,141	651,829
-Adjustments related to interest income	22	(90,376,659)	(78,058,667)
-Adjustments related to interest expenses	22	116,200,800	78,710,496
Appreciation in investments accounted for using equity method	10	(2,487,835)	(2,434,520)
Adjustments Related to Fair Value Losses (Gains)		90,428	(579,161)
-Adjustments Related to Fair Value Losses (Gains) of Derivative Financial Instruments		90,428	(579,161)
Other adjustments related to profit/loss reconciliation		(3,197)	(56,413)
-Dividend income from associates		(3,197)	(56,413)
<b>Changes in working capital</b>			
Adjustments related to increase/decrease in trade receivables		(2,426,260)	(27,676,630)
Adjustments related to increase/decrease in trade payables		(18,088,595)	37,942,553
Increase/decrease in financial investments (short-term financial)		(30,579,765)	6,806,309
Adjustments related to other increase/decrease in working capital		(20,093,585)	(2,900,636)
<b>Cash flows from operating activities</b>			
Interests received		98,700,294	73,736,463
Dividends received		228,198	193,912
Tax (payments)/returns	16	(24,853,905)	(10,102,769)
Personnel premium paid	15	(1,653,599)	(1,550,000)
Employment termination benefit paid	15	(220,833)	(733,109)
Unused vacation provision paid	15	(514,779)	(152,301)
<b>B. Cash flows from investing activities</b>		<b>(2,303,756)</b>	<b>(1,499,427)</b>
Increase/decrease in financial investments (long-term financial)		(293,479)	(372,605)
Payments for acquisition of property, plant and equipment	12	(1,117,986)	(885,599)
Payments for acquisition of intangible assets	13	(892,291)	(241,223)
<b>C. Cash flows from financing activities</b>		<b>(722,045,761)</b>	<b>153,700,974</b>
Net proceeds from borrowings		-	248,299,341
Cash outflows from repayments of borrowings		(610,702,981)	-
Interest paid		(107,242,780)	(82,434,914)
Dividends paid	17	(4,100,000)	(12,163,453)
<b>Net decrease in cash and cash equivalents before the effect of currency translation differences (A+B+C)</b>		<b>(619,902,472)</b>	<b>269,551,653</b>
<b>D. Effects of currency translation differences on cash and cash equivalents</b>		<b>(1,027,545)</b>	<b>314,480</b>
<b>Net decrease in cash and cash equivalents (A+B+C+D)</b>		<b>(620,930,017)</b>	<b>269,866,133</b>
<b>E. Cash and cash equivalents at the beginning of the period</b>	<b>3</b>	<b>714,935,592</b>	<b>445,069,459</b>
<b>Cash and cash equivalents at the end of the period (A+B+C+D+E)</b>	<b>3</b>	<b>94,005,575</b>	<b>714,935,592</b>

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

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

#### 1 Organisation and operations of the Company

Halk Yatırım Menkul Değerler AŞ ("the Company") was established on 2 September 1997. The purpose of the Company is to perform capital market activities in accordance with its Article of Association and Capital Markets Law and the related legislation provisions.

According to Capital Market Law's serial III-37.1 numbered "Disclosure of Investment Services and Operations with Ancillary Services Principles" that was published in official gazette on 11 July 2013 and come into force on 1 July 2014, the Company operates as "Broad Authorized Intermediary Firm".

The Company was classified as "Broad Authorized Intermediary Firm" in the bulletin published in Capital Market Law's 15 October 2016 dated 2016/27 numbered, and it is authorized to operate in investment service and activities.

The Company operates with 9 branches (31 December 2017: 9). Each branches of T. Halk Bankası A.Ş., act as an intermediary for the transmission of orders on behalf of the company in capital market transactions.

The address of the Company is Halide Edip Adıvar Mah. Darülaceze Cad. No: 20 Şişli / İstanbul.

The shareholders of the Company and their ownership percentages are as follows:

As at 31 December 2018, the Company has 128 employees (31 December 2017: 135).

	31 December 2018	31 December 2017
T. Halk Bankası A.Ş.	99.96%	99.96%
Other	0.04%	0.04%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

#### Associates:

Company	Share on capital (%)	Foundation and operation place	Main operation area
Halk Portföy Yönetimi A.Ş.	25.00%	İstanbul	Portfolio management

#### Halk Portföy Yönetimi A.Ş.

Halk Portföy Yönetimi A.Ş. was established on 24 June 2011 by registration to Istanbul Trade Registry and declaration to Trade Registry Gazette dated 30 June 2011 and numbered 7848. The aim of the associate is to engage in capital market activities in accordance with the provisions of the Capital Markets Law and related legislations.

In accordance with the resolution of the Board of Directors of Halk Yatırım Menkul Değerler A.Ş. dated 14 December 2018 and numbered 2018/83, the shares in Halk Portföy Yönetimi A.Ş. will be transferred to T.C. Ziraat Bankası A.Ş. and Ziraat Portföy Yönetimi A.Ş., and to end the partnership of the Company with Halk Portföy Yönetim A.Ş.

As of 31 January 2019, Halk Portföy Yönetim A.Ş. has been incorporated under the Ziraat Portföy Yönetimi A.Ş. by being registered on 31 January 2019, and the merger was announced in the Turkey Trade Registry Gazette dated 6 February 2019 and numbered 9761. The terms of the members of the Board of Directors are terminated on 31 January 2019.

#### Approval of the Financial Statements:

Board of Directors approved the financial statements and delegated authority for publishing it on 14 February 2019.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

2

## **Basis of presentation of the financial statements**

### *The preparation of financial statements*

#### Statement of Compliance to TFRS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards ("TFRS") and interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

In addition, the financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013.

The financial statements are prepared on the basis of historical cost, with the exception of financial assets, derivative financial instruments at FVTPL and financial assets at FVTOCI. A historical cost is a measure of value used in accounting in which the price of an asset on the balance sheet is based on its nominal or original cost when acquired by the Company.

#### Currency Used

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

#### Preparation of financial statements in hyperinflationary periods

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with TAS. Accordingly, the Company did not apply TAS 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") in its financial statements for the accounting periods starting 1 January 2005.

#### Comparative Information, Adjustment and Reclassification of Prior Period Financial Statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation in the current period financial statements, and material differences are disclosed. In the current period, there is no change in the accounting policies.

### *Changes in the Accounting Policies*

Significant changes in accounting policies and accounting errors are applied retrospectively and prior periods financial statements are adjusted accordingly. The Company has not made a significant change in its accounting policies in the current year due to the effects of the changes in the standards in the current year.

### *Changes in Accounting Estimates and Errors*

If changes in accounting estimates relate only for one period, changes are applied in the current period but if changes in estimates relate more than one period, changes are applied both in the current and following periods prospectively. The Company has not made a material change related to accounting estimates in the current year.

Significant changes in accounting policies have been applied retrospectively and prior period financial statements are restated. There is no accounting error that may cause to restate the Company's financial statements.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (*cont'd*)

### New and Revised Turkish Financial Reporting Standards

#### a) Amendments to TFRSs that are mandatorily effective for the current year

TFRS 9	<i>Financial Instruments</i>
TFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to TFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions</i>
TFRS Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to TAS 40	<i>Transfers of Investment Property</i>
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 1 , TAS 28</i>

### TFRS 9 Financial Instruments

#### (a) Classification and measurement of financial assets

In the current year, the Company has applied TFRS 9 Financial Instruments (as revised in 2017) and the related consequential amendments to other TFRS Standards that are effective for an annual period that begins on or after 1 January 2018. As a result of the transition provisions of TFRS 9, the comparatives have not been restated accordingly since the cumulative effect after the initial application of TFRS 9 is not at a significant amount.

TFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below.

The Company has applied TFRS 9 in accordance with the transition provisions set out in TFRS 9.

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of TFRS 9) is 1 January 2018. Accordingly, the Company has applied the requirements of TFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts that will be continued to be recognized as of 31 December 2018, will be restated if required.

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the Financial Statements

#### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (cont'd)

### New and Revised Turkish Financial Reporting Standards (cont'd)

- a) Amendments to TFRSs that are mandatorily effective for the current year (cont'd)

#### TFRS 9 *Financial Instruments* (cont'd)

##### (a) Classification and measurement of financial assets (cont'd)

All recognised financial assets that are within the scope of TFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the cash flow characteristics of the financial assets. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below for details.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (cont'd)

### New and Revised Turkish Financial Reporting Standards (cont'd)

- a) Amendments to TFRSs that are mandatorily effective for the current year (cont'd)

#### TFRS 9 *Financial Instruments* (cont'd)

##### (a) Classification and measurement of financial assets (cont'd)

#### Impact on the Financial Statements

TFRS 9 replaces the provisions of TAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

On 1 January 2018 the Company management has assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories.

None of the other reclassifications of financial assets have had any impact on the Company's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

##### (a) Impairment of financial assets

In relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Specifically, TFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

- Cash and cash equivalents,
- Trade receivables and contract assets;

In particular, TFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. TFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The application of TFRS 9 does not have a material impact on the financial assets.

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the Financial Statements

#### for the Year Ended 31 December 2018

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

2

#### Basis of presentation of the financial statements (*cont'd*)

##### New and Revised Turkish Financial Reporting Standards (*cont'd*)

- a) Amendments to TFRSs that are mandatorily effective for the current year (*cont'd*)

##### **TFRS 9 *Financial Instruments* (*cont'd*)**

###### **(c) Classification and measurement of financial liabilities**

A significant change introduced by TFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, TFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under TAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of TFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

###### **(d) General hedge accounting**

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting.

It does not have impact on the financial statements since the Company does not apply hedge accounting.

##### **TFRS 15 *Revenue from Contracts with Customers***

###### **Impact on the Financial Statements**

In the current year, the Company has applied TFRS 15 Revenue from Contracts with Customers which is effective for an annual period that begins on or after 1 January 2018. TFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios.

The details of the new requirements and the impact on the Company's financial statements are disclosed below.



## **HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**

### **Notes to the Financial Statements**

#### **for the Year Ended 31 December 2018**

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

2

#### **Basis of presentation of the financial statements (cont'd)**

##### **New and Revised Turkish Financial Reporting Standards (cont'd)**

- a) Amendments to TFRSs that are mandatorily effective for the current year (cont'd)

##### **TFRS 15 Revenue from Contracts with Customers (cont'd)**

##### **Impact on the Financial Statements (cont'd)**

TFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Company has preferred disclosures with previous terms rather than adopting new terminology in order to define such balances.

The Company's accounting policies for its revenue streams are disclosed in detail in Note 2.5.1 below. Apart from providing more extensive disclosures for the Company's revenue transactions, the application of TFRS 15 has not had a significant impact on the financial position and/or financial performance of the Company.

##### **Amendments to TFRS 2 Classification and Measurement of Share-Based Payment Transactions**

The amendments clarify the standard in respect of the share-based payment arrangement has a 'net settlement feature' such an arrangement should be classified as equity-settled in its entirety, provided that the share-based in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Amendments to TFRS 2 have no impact on the Company's financial statements.

##### **Amendments to TAS 40 Transfers of Investment Property**

The amendments to TAS 40:

Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Amendments to TAS 40 have no impact on the Company's financial statements.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

2

#### Basis of presentation of the financial statements (*cont'd*)

#### New and Revised Turkish Financial Reporting Standards (*cont'd*)

a) Amendments to TFRSs that are mandatorily effective for the current year (*cont'd*)

#### Annual Improvements to TFRS Standards 2014–2016 Cycle

**TAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Annual improvements to TFRS Standards 2014-2016 cycle have no impact on the Company's financial statements.

#### TFRS Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

TFRS Interpretation 22 has no impact on the Company's consolidated financial statements.

b) New and revised TFRSs in issue but not yet effective

The Company has not applied the following new and revised TFRSs that have been issued but are not yet effective:

TFRS 16	<i>Leases<sup>1</sup></i>
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures<sup>1</sup></i>
TFRS Interpretation 23	<i>Uncertainty over Income Tax Treatments<sup>1</sup></i>
TFRS 10 and TAS 28 (amendments)	<i>Sale of Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to TAS 19	<i>Amendments to "Employee Benefits"<sup>1</sup></i>
Annual Improvements to TFRS Standards 2015-2017 Cycle	<i>Amendments to TFRS 3, TFRS 11, TAS 12 and TAS 23 standards</i>

<sup>1</sup> Effective from periods on or after 1 January 2019.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (cont'd)

### New and Revised Turkish Financial Reporting Standards (cont'd)

#### b) New and revised TFRSs in issue but not yet effective (cont'd)

The Company management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements in future periods, except as noted below.

#### **IFRS 16 Leases**

##### General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including TAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Company will be 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in TAS 17.

##### Impact of the new definition of a lease

The Company will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with TAS 17 and IFRS Interpretation 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). The Company has concluded that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Company.

##### Impact on Lessee Accounting

###### *Operating leases*

IFRS 16 will change how the Company accounts for leases previously classified as operating leases under TAS 17, which were off-balance sheet.

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the Financial Statements

#### for the Year Ended 31 December 2018

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

2

#### **Basis of presentation of the financial statements (cont'd)**

#### **New and Revised Turkish Financial Reporting Standards (cont'd)**

#### **b) New and revised TFRSs in issue but not yet effective (cont'd)**

#### **IFRS 16 Leases (cont'd)**

#### **Impact on Lessee Accounting (cont'd)**

On initial application of IFRS 16, for all leases (except as noted below), the Company will:

- a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under TAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with TAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As of 31 December 2018, the Company has no operating lease commitment that is irrevocable.

#### *Finance leases*

The main differences between IFRS 16 and TAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by TAS 17. On initial application the Company will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Company's finance leases as at 31 December 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company assesses the impact of this change on the amounts recognised in the Company's financial statements.

## **HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**

### **Notes to the Financial Statements**

#### **for the Year Ended 31 December 2018**

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

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2

#### **Basis of presentation of the financial statements (cont'd)**

##### **New and Revised Turkish Financial Reporting Standards (cont'd)**

###### **b) New and revised TFRSs in issue but not yet effective (cont'd)**

###### ***Amendments to TAS 28 Long-term Interests in Associates and Joint Ventures***

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Company evaluates the possible effects of these amendments to TAS 28 long-term interests in associates and joint ventures on the Company's financial position and performance.

###### ***TFRS Interpretation 23 Uncertainty over Income Tax Treatments***

This Interpretation addresses the application of recognition and measurement provisions under TAS 12 when there is uncertainty over income tax treatments.

The Company evaluates the possible effects of these amendments on the Company's financial position and performance.

###### ***TFRS 10 and TAS 28 (Amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

This amendment clarifies that all profit or loss from the sale or contribution of assets between an investor and its associate or joint venture are required to be recognized by the investor.

The Company evaluates possible effects of these amendments to TFRS 10 and TAS 28 sale or contribution of assets between an investor and its associate or joint venture on the Company's financial position and performance.

###### ***Amendments to TAS 19 Employee Benefits***

The Amendments to TAS 19 *Employee Benefits* address the impact of the changes in defined benefit plans (one of the two benefits provided after employment relationship is ended: defined benefit plans and defined contribution plans) to the recognition of the defined benefit plans, and TAS 19 has been amended.

The Company evaluates possible effects of these amendments to TAS 19 Employee benefits on the Company's financial position and performance.

## **HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**

### **Notes to the Financial Statements**

#### **for the Year Ended 31 December 2018**

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

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## **2 Basis of presentation of the financial statements (cont'd)**

### **New and Revised Turkish Financial Reporting Standards (cont'd)**

#### **b) New and revised TFRSs in issue but not yet effective (cont'd)**

#### **Annual Improvements to TFRS Standards 2015–2017 Cycle**

*Annual Improvements to TFRS Standards 2015–2017 Cycle* include amendments to TFRS 3 *Business Combinations* and TFRS 11 *Joint Arrangements* in when a party that participates in, but does not have joint control of, TAS 12 *Income Taxes*; income tax consequences of dividends in profit or loss, and TAS 23 *Borrowing Costs* in capitalized borrowing costs.

The Company evaluates possible effects of these improvements on the Company's financial position and performance.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (*cont'd*)

### 2.5. Summary of significant accounting policies

#### 2.5.1. Accounting of revenue and expenses

##### Sales revenue and financial income

###### Sales Income

**-Interest income:** Interests received from customers are presented in "Sales revenue" (Note 16), interests from time deposits are presented in "Finance income" (Note 20).

**-Trading income on securities:** Trading income/expenses on securities are recognised in the profit or loss on the same date of sale/purchase order given.

**-Funds lent under reverse repurchase agreements:** The terms of funds lent under repurchase agreements are short term and are comprised of government bonds and treasury bills obtained with resale commitments at an agreed term. The difference between purchase and resale price is treated as interest income and accrued over the life of the reverse repurchase agreement.

###### Service Income

**-Commission income:** Commission income is comprised of the commissions received from the financial services provided and recognised as income when the service is rendered.

**-Capital markets brokerage services:** The brokerage service fees for trading in capital markets are recognized in profit/loss at the date of purchase/sale. Revenues arising from transactions are recognized daily in profit/loss on an accrual basis until the date when the collection becomes doubtful in accordance with the management's estimation and interpretation.

**-Consultancy service income:** The Company provides investment consultancy services to corporate firms in public offerings based on contracts. Since the results of projects cannot be estimated reliably and costs incurred are unlikely to be recovered, the Company revenue is recognized only when it is finalized and when the money is collected.

###### Other

The Company recognises the dividend and similar revenues when the right to receive payment have been established.

Interest expenses are recognised according to accrual basis in profit or loss.

Other revenue and expenses are recognised on accrual basis.

#### 2.5.2. Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (reporting entity).

a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (*cont'd*)

### 2.5. Summary of significant accounting policies (*cont'd*)

#### 2.5.2. Related Parties (*cont'd*)

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

#### 2.5.3. *Property, plant and equipment*

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment. Cost refers to expenses directly related to the acquisition of the asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.



# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (*cont'd*)

### 2.5. Summary of significant accounting policies (*cont'd*)

#### 2.5.3. *Property, plant and equipment (cont'd)*

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Useful lives of property, plant and equipment are as follows:

<b>Non-current asset type</b>	<b>Estimated useful life (year)</b>
Machine and equipment	8
Furniture and fixtures	3-15
Leasehold improvements	5

#### 2.5.4. *Intangible assets*

##### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### 2.5.5. *Investments accounted for by using equity method*

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investment in associates is accounted for using the equity method and is recognised initially at cost. The financial statements include the Company's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

#### 2.5.6. *Financial instruments*

##### *Financial assets (current period)*

At initial recognition, the Company measures a financial asset at its fair value, except for trade receivables that do not contain significant financing component. The Company measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component (or if the Company chooses the facilitative application) in accordance with TFRS 15 (or when the Company applies the practical expedient) at initial recognition.

At initial recognition, Company measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, *transaction costs* that are directly attributable to the acquisition or issue of the financial asset. Financial assets that are traded in an ordinary way are recognized initially at their fair value on the trade date [delivery date].

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the Financial Statements

#### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (*cont'd*)

### 2.5. Summary of significant accounting policies (*cont'd*)

#### 2.5.6. *Financial instruments (cont'd)*

##### *Financial assets (current period) (cont'd)*

The Company reclassifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both: (a) the Company's business model for managing the financial assets and (b) the contractual cash flow characteristics of the financial asset. When, and only when, the Company changes its business model for managing financial assets, it reclassifies all affected financial assets. The Company applies the reclassification prospectively from the reclassification date. The Company does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

##### *Financial assets (prior period)*

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments' ("HTM"), 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. A regular way purchase or sale of financial assets shall be recognised using trade date accounting or settlement date accounting. When a financial asset is recognised initially, the Group measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

##### *Financial assets at fair value through profit or loss (current period)*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The relevant financial assets are at fair value, and the net gain or loss after the revaluation are recognised in the statement of profit or loss.

##### *Financial assets at fair value through profit or loss (prior period)*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets at FVTPL unless they are designated as hedges. The related financial assets are presented at their fair values and the gains and losses resulting from the valuation are recognized in profit or loss.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (*cont'd*)

### 2.5. Summary of significant accounting policies (*cont'd*)

#### 2.5.6. *Financial instruments (cont'd)*

##### *Financial assets measured at fair value through other comprehensive income (current period)*

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Company accounts for the cumulative gain or loss that was previously recognised in other comprehensive income in financial statements. Interest calculated using the effective interest method is recognised in profit or loss.

At initial recognition, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

##### *Available-for-sale financial assets (prior period)*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Quoted equity investments and quoted certain debt securities held by the Company that are traded in an active market are classified as being AFS financial assets and are stated at fair value at the end of each reporting period. The Company also has investments in unquoted equity investments that are not traded in an active market but that are also classified as AFS financial assets and stated at cost at the end of each reporting period since their value can't be reliably measured. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the Financial Statements

#### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (*cont'd*)

### 2.5. Summary of significant accounting policies (*cont'd*)

#### 2.5.6. *Financial instruments (cont'd)*

##### *Financial assets measured at amortised cost (current period)*

A financial asset is measured at amortised cost if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue of financial assets measured at amortized cost is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognises a *modification gain or loss* in profit or loss.

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

##### *Loans and receivables (prior period)*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

##### *Held-to-maturity investments (prior period)*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the Financial Statements

#### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (cont'd)

### 2.5. Summary of significant accounting policies (cont'd)

#### 2.5.6. Financial instruments (cont'd)

##### Cash and cash equivalents (prior period)

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The Company's cash and cash equivalents are classified under the category of 'Loans and Receivables'.

##### Impairment (current period)

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Company applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

At each reporting date, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Company only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

The Company measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

Impairment that is measured in the scope TFRS 9 does not have a significant impact on the Company's financial statements.

##### Recognition and derecognition of financial assets (current period)

The Company recognizes a financial asset or a financial liability in its statement of financial position when, and only, the entity becomes a party to the contractual provisions of the instrument. The Company derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (*cont'd*)

### 2.5. Summary of significant accounting policies (*cont'd*)

#### 2.5.6. *Financial instruments (cont'd)*

##### *Recognition and derecognition of financial assets (current period) (cont'd)*

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received. An entity shall remove a financial liability from its statement of financial position when, and only, the obligation specified in the contract is discharged or cancelled or expire.

##### *Recognition and derecognition of financial assets (prior period)*

The Company recognizes a financial asset or a financial liability in its statement of financial position when, and only, the entity becomes a party to the contractual provisions of the instrument. The Company derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received. An entity shall remove a financial liability from its statement of financial position when, and only, the obligation specified in the contract is discharged or cancelled or expire.

##### *Financial liabilities (current period)*

At initial recognition, the Company measures a financial liability at its fair value plus or minus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for:

(a) Financial liabilities at fair value through profit or loss: Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

(b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Company recognises any income on the transferred asset and any expense incurred on the financial liability.

(c) Contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration is subsequently be measured at fair value with changes recognised in profit or loss.

The Company does not reclassify any financial liability.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (*cont'd*)

### 2.5. Summary of significant accounting policies (*cont'd*)

#### 2.5.6. *Financial instruments (cont'd)*

##### Financial liabilities (prior period)

When a financial liability is recognised initially, the Group measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest method.

##### Derivative financial instruments (current period)

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in note 23.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

##### Derivative financial instruments (prior period)

The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

If the cash flow hedge of a firm commitment or an expected forward transaction result in the recognition of an asset or liability, at the initial recognition of this asset or liability the gain or loss previously recognized under equity related to derivatives are included in the measurement of the initial amount of the asset or liability. In a hedge accounting that does not result in the recognition of an asset or liability, the amounts previously recognized under equity are transferred to statement of profit or loss in the period in which the hedged item has an effect on profit or loss. The changes in the fair value of derivatives that do not meet the criteria for hedge accounting are recognized in the statement of profit or loss.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (cont'd)

### 2.5. Summary of significant accounting policies (cont'd)

#### 2.5.7. Effects of Exchange Differences

##### Foreign Currency Transactions and Balances

The financial statements of the Company are presented in the currency which is the currency of the primary economic environment in which the Company operates (its functional currency). The results and financial position of the Company are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

In preparing the financial statements of the individual entities, transactions in foreign currency (currencies other than TL) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Transactions in foreign currency are translated into TL at the foreign currency rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the end of the reporting period. Exchange differences arising from such transactions are recognized in profit/loss for the period.

As of 31 December 2018 and 31 December 2017, exchange rates used by the Company are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
US Dollar ("USD")	5.2609	3.7719
Euro	6.0280	4.5155



# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

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## 2 Basis of presentation of the financial statements (*cont'd*)

### 2.5. Summary of significant accounting policies (*cont'd*)

#### 2.5.8. Earnings per Share

Earnings per share disclosed in the statement of profit or loss are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. Therefore, the weighted average stock share, which is used in the calculation of earnings per share, is determined by retrospective application of bonus share issue.

#### 2.5.9. Events After the Reporting Period

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

#### 2.5.10. Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

#### Restructuring

A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

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## 2 Basis of presentation of the financial statements (*cont'd*)

### 2.5. Summary of significant accounting policies (*cont'd*)

#### 2.5.10. Provisions, Contingent Assets and Liabilities (*cont'd*)

##### Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Company's obligation.

#### 2.5.11. Segment Reporting

There are no different fields of activity and different geographic regions that require segment reporting.

#### 2.5.12. Income Tax

Tax provisions have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### Deferred tax

Deferred tax liability or asset is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the Financial Statements

#### for the Year Ended 31 December 2018

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

## 2 Basis of presentation of the financial statements (*cont'd*)

### 2.5. Summary of significant accounting policies (*cont'd*)

#### 2.5.12. Income Tax (*cont'd*)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### *Current and deferred tax for the period*

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity.

#### 2.5.13. Employee Benefits

##### *Termination and retirement benefits:*

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 *Employee Benefits* ("TAS 19").

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

##### *Profit-sharing and bonus plans*

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### 2.5.14. Statement of Cash Flows

In the statement of cash flows, cash flows for the period are reported by classification based on operating, investing and financing activities.

#### 2.5.15. Capital and Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

### 3

#### Cash and cash equivalents

As at 31 December 2018 and 31 December 2017, cash and cash equivalents are as follows:

	31 December 2018	31 December 2017
Banks	80,329,324	718,298,604
- Time deposit	61,541,772	695,036,566
- Demand deposit	18,787,552	23,262,038
Reverse from reverse repurchase agreements	27,981,023	18,697,374
<b>Cash and cash equivalents represented on statement of financial position</b>	<b>108,310,347</b>	<b>736,995,978</b>
Interest income accruals on cash and cash equivalents	(92,772)	(9,020,786)
Customer assets (1)	(14,212,000)	(13,039,600)
<b>Cash and cash equivalents on statement of cash flows</b>	<b>94,005,575</b>	<b>714,935,592</b>

<sup>(1)</sup> TL 14,212,000 (31 December 2017: TL 13,039,600) of bank accounts are customer assets which are not yet invested and evaluated with its own deposit accounts of the Company as at 31 December 2018.

As at 31 December 2018, TL 61,541,772 of cash at banks (31 December 2017: TL 695,036,566) is held on time deposit accounts of T. Halk Bankası A.Ş. which is main shareholder of the Company, TL 17,662,463 of cash at banks is on demand deposit accounts (31 December 2017: TL 15,999,597).

As of 31 December 2018, the interest rate applied to reverse repurchase agreements is 23.33% and their maturities are 2-16 days (31 December 2017: 12.75% with 38 days of maturity).

As of 31 December 2018 and 31 December 2017, the details of time deposits of the Company are as follows:

31 December 2018				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
T. Halk Bankası A.Ş.	23.00%	2 January 2019	TL	8,845,570
T. Halk Bankası A.Ş.	5.50%	21 March 2019	USD	52,696,202
<b>Total</b>				<b>61,541,772</b>

  

31 December 2017				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
T. Halk Bankası A.Ş.	11% - 15.50%	2 January 2018 - 16 March 2018	TL	665,389,575
T. Halk Bankası A.Ş.	4.35%	14 March 2018	USD	29,646,991
<b>Total</b>				<b>695,036,566</b>

As at 31 December 2018 and 31 December 2017, there is no blockage on cash and cash equivalents of the Company.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

#### 4 Financial investments

##### Short term financial assets

As at 31 December 2018 and 31 December 2017, short term financial investments are as follows:

##### Financial assets at fair value through profit or loss

	31 December 2018		31 December 2017	
	Nominal value	Carrying value	Nominal value	Carrying value
Private sector bonds	17,195,003	19,499,133	9,661,996	15,956,490
Equity securities	27,090,000	27,362,754	4,840,000	4,843,261
Government bonds	6,700,000	6,443,122	1,682,089	1,925,493
<b>Total</b>		<b>53,305,009</b>		<b>22,725,244</b>

As at 31 December 2018, government bonds with nominal value TL 550,000 (31 December 2017: TL 1,225,000) and carrying value of TL 528,913 (31 December 2017: TL 1,243,828) is pledged as collateral at Turkish Derivatives Exchange and nominal value TL 310,000 (31 December 2017: TL 415,000) and the carrying value TL 298,115 (31 December 2017: TL 421,379) worth of government bonds are hold as deposit payments in care of BİST.

##### Long term financial assets

As at 31 December 2018 and 31 December 2017, long term financial assets are as follows:

##### Financial assets at FVTOCI

Share investments	31 December 2018		31 December 2017	
	Carrying value	Ownership rate (%)	Carrying value	Ownership rate (%)
Borsa İstanbul A.Ş.(1)	1,517,254	0.038	1,341,572	0.038
Halk Faktoring A.Ş.	1,758,840	1.240	1,572,996	1.240
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	226,641	0.038	286,189	0.038
Ziraat Portföy Yönetimi A.Ş.(2)	-	0.000	8,500	0.100
Halk Finansal Kiralama A.Ş.(3)	5	0.000	4	0.000
<b>Total</b>	<b>3,502,740</b>		<b>3,209,261</b>	

- (1) Related stocks are evaluated by the price per share as it is determined in the meeting dated 15 January 2018 and numbered 2018/6 Borsa İstanbul A.Ş. and the valuation impact is recognised in revaluation under equity.
- (2) In accordance with the resolution of the Board of Directors of Halk Yatırım Menkul Değerler A.Ş. dated 14 December 2018 and numbered 2018/83, the shares in Ziraat Portföy Yönetimi A.Ş. will be transferred to T.C. Ziraat Bankası A.Ş. and Ziraat Portföy Yönetimi A.Ş. by sale, and to end the partnership of the Company with Ziraat Portföy Yönetim A.Ş. In compliance with this resolution, the amount of the relevant asset is presented under non-current assets held-for-sale.
- (3) It is recognised in the financial statements at cost value.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the Financial Statements****for the Year Ended 31 December 2018**

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

**5 Related party disclosures****Receivables from related parties and payables to related parties**

Assets from related parties and liabilities to related parties as of 31 December 2018 and 31 December 2017 are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Cash and cash equivalents</b>		
T. Halk Bankası A.Ş.	79,204,235	711,036,163
-Time deposit	61,541,772	695,036,566
-Demand deposit	17,662,463	15,999,597
<b>Financial investments</b>		
Halk Sigorta A.Ş.	19,499,133	15,601,845
-Stock shares	19,499,133	15,601,845
Halk Faktoring A.Ş.	1,758,840	1,572,996
-Stock shares	1,758,840	1,572,996
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	226,641	286,189
-Stock shares	226,641	286,189
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	5	4
-Stock shares	5	4
<b>Total</b>	<b>98,703,368</b>	<b>726,638,008</b>

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Trade receivables from related parties</b>		
T.Halk Bankası A.Ş.	23,600	-
Halk Portföy Yönetimi A.Ş. Fonları	14,661	27,520
Halk Portföy Yönetimi A.Ş.	19,353	11,011
Halk Sigorta A.Ş.	5,900	-
Halk Hayat ve Emeklilik A.Ş.	21,529	3,164
Halk Varlık Kiralama A.Ş.	-	263,220
Halk Bank AD Skopje	143,724	-
<b>Total</b>	<b>228,767</b>	<b>304,915</b>

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Trade payables to related parties</b>		
Halk Sigorta A.Ş.	957,600	758,400
T. Halk Bankası A.Ş.	4,095	5,691
Bileşim Alternatif Dağıtım Kanalları A.Ş.	3,037	2,784
<b>Total</b>	<b>964,732</b>	<b>766,875</b>

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

#### 5 Related party disclosures (cont'd)

##### Transactions with related parties

Transactions with related parties for the periods ended 31 December 2018 and 31 December 2017 are as follows:

##### Income from related parties

	1 January – 31 December 2018	1 January – 31 December 2017
<b><u>T. Halk Bankası A.Ş.</u></b>		
Commission income on public offerings brokerage	18,148,693	10,698,500
Interest income on deposits	61,627,840	53,421,243
Consultancy service income	340,000	350,000
Amortization income on bonds	362,389	-
<b><u>Halk Emeklilik Fonları</u></b>		
Brokerage commission income	1,590,251	1,567,093
<b><u>Halk Portföy Fonları</u></b>		
Brokerage commission income	722,906	1,138,219
Commission income on fund distribution	235,199	362,824
<b><u>Halk Gayrimenkul Yatırım Ortaklığı A.Ş.</u></b>		
Commission income on public offerings brokerage	260,000	450,000
Consultancy service income	105,000	-
Amortization income on bonds	4	-
<b><u>Halk Finansal Kiralama A.Ş.</u></b>		
Commission income on public offerings brokerage	1,296,250	906,250
Amortization income on bonds	1,685	-
<b><u>Halk Sigorta A.Ş.</u></b>		
Consultancy service income	102,000	60,000
Brokerage commission income	199	1,651
Commission income on public offerings brokerage	35,000	-
<b><u>Halk Hayat ve Emeklilik A.Ş.</u></b>		
Brokerage commission income	79,572	15,139
<b><u>Halk Portföy Yönetimi A.Ş.</u></b>		
Service income	122,419	113,410
<b><u>Halk Varlık Kiralama A.Ş.</u></b>		
Sukuk issue brokerage commission income	2,712,500	250,000
<b><u>Bileşim Alternatif Dağıtım Kanalları A.Ş.</u></b>		
Brokerage commission income	1,124	-
<b><u>Halk Faktoring A.Ş.</u></b>		
Commission income on public offerings brokerage	420,000	-
<b><u>Halkbank AD Skopje</u></b>		
Consultancy service income	121,800	-
<b>Total</b>	<b>88,284,830</b>	<b>69,334,329</b>

The Company's operational income contributed to operating profit mainly consists of related parties.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the Financial Statements****for the Year Ended 31 December 2018**

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

**5****Related party disclosures (cont'd)****Transactions with related parties (cont'd)****Payables to related parties**

	<b>1 January – 31 December 2018</b>	<b>1 January – 31 December 2017</b>
<b><u>T. Halk Bankası A.Ş.</u></b>		
Rent expenses	1,570,421	1,354,468
Common expense contribution expense	423,892	600,573
Commissions of guarantee letter	87,585	40,645
Bank charges	51,628	36,512
<b><u>Halk Sigorta A.Ş.</u></b>		
Personnel expenses (Health/insurance expenses)	810,768	668,009
Repurchase agreements interest expense	73,467	53,587
<b><u>Halk Hayat ve Emeklilik A.Ş.</u></b>		
Repurchase agreements interest expense	50,792	124,202
Personnel expenses (Death insurance expenses)	38,954	40,362
Common expense contribution expense	23,137	1,255
<b><u>Bileşim Alternatif Dağıtım Kanalları A.Ş.</u></b>		
Service expense	45,755	24,686
Repurchase agreements interest expense	25,032	336
<b>Total</b>	<b>3,201,431</b>	<b>2,944,635</b>

**Benefits provided to key management**

The key personnel received remuneration and fees amounting in total TL 2,753,436 for the year ended 31 December 2018 (31 December 2017: TL 1,971,517).



# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

## 6 Trade receivables and payables

### Trade receivables

As of 31 December 2018 and 31 December 2017 trade receivables of the Company are as follow:

	31 December 2018	31 December 2017
Receivables from loan customers <sup>(1)</sup>	64,478,434	63,626,342
VIOP, Share, Loan and Borrowing Instruments collaterals	30,095,390	17,357,796
Leveraged trade collaterals	7,348,084	11,818,556
Receivables from customers	606,785	803,370
Collaterals of borrowed securities	575,133	7,431,910
Due from related parties (Note 5)	228,767	304,915
Doubtful trade receivables	564,173	228,235
Provision for doubtful trade receivables	(564,173)	(228,235)
<b>Total</b>	<b>103,332,593</b>	<b>101,342,889</b>

(1) As of 31 December 2018, the average interest rate applied to the loan customers is 30.76% (31 December 2017: 18.63%).

The movement of the provision of doubtful receivables of the Company as of 31 December 2018 and 31 December 2017 is as follow:

	1 January - 31 December 2018	1 January - 31 December 2017
Balance at the beginning of the year	228,235	329,953
Charge for the period	406,550	87,488
Collected in the period	(70,612)	(16,876)
Terminated provisions	-	(172,330)
<b>Balance at the end of the period</b>	<b>564,173</b>	<b>228,235</b>

### Trade payables

As of 31 December 2018 and 31 December 2017, trade payables of the Company is as follow:

	31 December 2018	31 December 2017
Leveraged trade collaterals	6,795,142	11,818,556
VIOP, Share, Loan and Borrowing Instruments collaterals	28,724,907	17,276,120
Payables to customers	22,071,531	21,817,241
Payables to customers from repurchase agreements	-	18,192,170
Suppliers	1,471,814	1,388,982
Payables to related parties (Note 5)	964,732	766,875
Collaterals received for lent securities	575,133	7,431,910
<b>Total</b>	<b>60,603,259</b>	<b>78,691,854</b>

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

7

#### Financial liabilities

As of 31 December 2018 and 31 December 2017, the detail of the Company's financial borrowings are as follows:

	31 December 2018	31 December 2017
Issued commercial paper	52,355,826	325,559,780
Payables to stock exchange money market	-	337,499,027
<b>Total</b>	<b>52,355,826</b>	<b>663,058,807</b>

As of 31 December 2018, letter of guarantees amounting to TL 295,000,000 are given as collateral for debts to Stock Exchange Money Market (31 December 2017: TL 375,000,000).

As of 31 December 2018 and 31 December 2017, the Company's issued bond information is as follows:

31 December 2018					
ISIN	Date of Issue	Maturity	Interest rate (%)	Nominal	Amount
TRFHALK31911	21 December 2018	21 March 2019	23.50%	55,000,000	52,355,826
<b>Total</b>					<b>52,355,826</b>

31 December 2017					
ISIN	Date of Issue	Maturity	Interest rate (%)	Nominal	Amount
TRFHALK11814	27 September 2017	5 January 2018	13.80%	160,000,000	159,766,848
TRFHALK11822	3 November 2017	26 January 2018	13.80%	30,000,000	29,725,179
TRFHALK31812	15 December 2017	16 March 2018	14.35%	140,000,000	136,067,753
<b>Total</b>					<b>325,559,780</b>

As of 31 December 2018, the Company does not have financial liabilities, and as of 31 December 2017, financial liabilities of the Company are as follows:

31 December 2017			
	Interest rate (%)	Maturity	Amount
Stock Exchange Money Market	11.70% - 14.50%	2 February 2018 - 9 February 2018	337,499,027
<b>Total</b>			<b>337,499,027</b>

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Financial Statements

### for the Year Ended 31 December 2018

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

#### 8 Other non-current assets

The Company has prepared a project including the development activities of an all-in-one order management system that allows domestic and international customers to trade in all markets (Share, VIOP, BAP, Forex, etc.) and with an integrated risk control system that can be used by portfolio and fund management companies, and system enables foreign customers send orders to domestic markets in a faster and safer way with a fixed-based software as DMA (Automatic) and Care Order (Manuel) by using various networks (Bloomberg, Marco Polo, etc.), and it established the Technopark Arbitration Board. Subsequent to the approval of the project, the second phase of R&D activities started as of November 2017 in the office rented in Yıldız Teknik University/Davutpaşa Technopark. Total period of the project is 24 months. Expenditures incurred in this scope were capitalized in other non-current assets.

	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	1,638,281	826,810
Increase during the period	517,736	811,471
<b>Closing balance</b>	<b>2,156,017</b>	<b>1,638,281</b>

#### 9 Other receivables and payables

##### Other receivables

As at 31 December 2018 and 31 December 2017, other receivables are as follows:

	31 December 2018	31 December 2017
Foreign collaterals related to leveraged transactions (4)	9,561,400	-
BISTECH Share MKT transaction collaterals (2)	4,497,107	573,128
VIOP, Share, Loan and Borrowing Instruments collaterals (1)	1,032,219	878,247
Receivables from leveraged transactions	25,543	2,350,839
BAP MKT transaction collaterals (3)	1,974,262	-
Rent and other collaterals, deposits	24,327	24,463
Receivables from personnel	21,893	21,520
Other	19,801	8,742
<b>Total</b>	<b>17,156,552</b>	<b>3,856,939</b>

(1) It comprises the Company's cash collaterals given to Takasbank for trading in VIOP and other markets.

(2) It comprises the Company's cash collaterals given to Takasbank for trading on the share market.

(3) It comprises the Company's cash collaterals given to Takasbank for trading on the Borrowing instruments market.

(4) It comprises the Company's cash collaterals given to liquidity suppliers for leveraged trading transactions.

##### Other payables

As at 31 December 2018 and 31 December 2017, other payables are as follows:

	31 December 2018	31 December 2017
Taxes and duties payable	6,714,838	4,899,946
Other	55,005	27,247
<b>Total</b>	<b>6,769,843</b>	<b>4,927,193</b>

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2018

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

#### 10 Investments accounted for by using equity method

	Share on capital (%)		Principal activity
	31 December 2018	31 December 2017	
Halk Portföy Yönetimi A.Ş. <sup>(1)</sup>	25.00	25.00	Portfolio management

(1) Halk Portföy Yönetimi A.Ş. was established on 24 June 2011 by registration to Istanbul Trade Registry and declaration to Trade Registry Gazette dated 30 June 2011 and numbered 7848. The capital of the Halk Portfolio consists of TL 26,000,000 divided into 26,000,000 shares with a nominal value of TL 1 each. The Company sold its share in total amount of TL 6,500,000 for the 25% shares of Halk Portföy to Ziraat Portföy Yönetim A.Ş. on 2 January 2019.

	31 December 2018	31 December 2017
Total assets	-	31,343,968
Total liabilities	-	(1,897,014)
<b>Net assets</b>	<b>-</b>	<b>29,446,954</b>
Group's share in equity accounted investees	-	7,361,739
<b>Investments accounted for by using equity method</b>	<b>-</b>	<b>7,361,739</b>

	1 January – 31 December 2018	1 January – 31 December 2017
Total income	-	17,462,032
Profit for the period	-	9,738,081
Other comprehensive income	-	-
<b>Share of profit/(loss) for the period of equity accounted investees</b>	<b>-</b>	<b>2,434,520</b>
<b>Share of profit or loss and other comprehensive income of equity accounted investees</b>	<b>-</b>	<b>2,434,520</b>

The investments that were accounted under “investments accounted for by using equity method” in the prior period, are classified under “non-current assets held-for-sale” in the current period and presented separately in the balance sheet. The current period information is presented in Note 25.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2018

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

#### 11 Prepaid expenses

As at 31 December 2018 and 31 December 2017, other current assets are as follows:

	31 December 2018	31 December 2017
Prepaid expenses (1)	1,348,214	1,187,242
Prepaid rents	276,117	338,826
<b>Total</b>	<b>1,624,331</b>	<b>1,526,068</b>

(1) Prepaid expenses consist of health insurance expenses, prepaid letter of guarantee expenses and data screen expenses.

#### 12 Property, plant and equipment

For the years ended 31 December 2018 and 31 December 2017, movement of the property, plant and equipment are as follows:

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
<b>Cost</b>				
Opening balance, 1 January 2017	1,805,455	1,878,048	2,537,965	6,221,467
Additions	848,602	9,839	27,158	885,599
<b>Closing balance, 31 December 2017</b>	<b>2,654,057</b>	<b>1,887,887</b>	<b>2,565,123</b>	<b>7,107,066</b>
Opening balance, 1 January 2018	2,654,057	1,887,887	2,565,123	7,107,066
Additions	973,253	137,947	6,786	1,117,986
Disposals	(14,120)	(87,391)	-	(101,511)
<b>Closing balance, 31 December 2018</b>	<b>3,613,190</b>	<b>1,938,443</b>	<b>2,571,909</b>	<b>8,123,541</b>
<b>Accumulated depreciation</b>				
Opening balance, 1 January 2017	835,860	1,601,517	1,897,726	4,335,103
Charge for the period	374,731	92,385	213,321	680,437
<b>Closing balance, 31 December 2017</b>	<b>1,210,591</b>	<b>1,693,902</b>	<b>2,111,047</b>	<b>5,015,540</b>
Opening balance, 1 January 2018	1,210,591	1,693,902	2,111,047	5,015,540
Charge for the period	637,225	99,639	200,961	937,825
Disposals	(14,120)	(87,391)	-	(101,511)
<b>Closing balance, 31 December 2018</b>	<b>1,833,696</b>	<b>1,706,150</b>	<b>2,312,008</b>	<b>5,851,854</b>
<b>Net book value</b>				
31 December 2017	1,443,466	193,985	454,076	2,091,526
31 December 2018	1,779,494	232,293	259,901	2,271,687

For the reporting period ended 1 January - 31 December 2018, property, plant and equipment amounting to TL 1,117,986 has been acquired (31 December 2017: TL 885,559).

As of 1 January - 31 December 2018, total insurance on property, plant and equipment are amounting to TL 8,616,186 (31 December 2017: 5,769,586).

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2018

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

### 13 Intangible assets

For the years ended 31 December 2018 and 31 December 2017, movement of the intangible assets are as follows:

	<b>Software</b>
<b>Cost</b>	
Opening balance, 1 January 2017	2,250,272
Additions	241,223
<b>Closing balance, 31 December 2017</b>	<b>2,491,495</b>
Opening balance, 1 January 2018	2,491,495
Additions	892,291
<b>Closing balance, 31 December 2018</b>	<b>3,383,786</b>
<b>Accumulated amortization</b>	
Opening balance, 1 January 2017	1,976,062
Charge for the period	210,605
<b>Closing balance, 31 December 2017</b>	<b>2,186,667</b>
Opening balance, 1 January 2018	2,186,667
Charge for the period	326,557
<b>Closing balance, 31 December 2017</b>	<b>2,513,224</b>
<b>Net book value</b>	
31 December 2017	304,828
31 December 2018	870,562

For the year ended 1 January - 31 December 2018, intangible assets have been purchased at the amount of TL 892,291 (31 December 2017: TL 241,223).

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2018

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

#### 14 Provisions, contingent assets and liabilities

##### Other short-term provisions

As at 31 December 2018 and 31 December 2017, short-term provisions for liabilities are as follows:

	31 December 2018	31 December 2017
Lawsuit provisions	619,500	798,211
Expenses payable	4,030	12,428
Common expense contribution share	100,245	84,649
Other expense accruals	68,121	12,202
<b>Total</b>	<b>791,896</b>	<b>907,490</b>

##### Other off balance sheet liabilities

As at 31 December 2018 and 31 December 2017, off balance sheet commitments and contingencies are as follows:

##### *Letter of guarantees*

	31 December 2018	31 December 2017
Stock Exchange Money Market Transaction Collaterals (Settlement and Custody Bank)	295,000,000	375,000,000
Istanbul Stock Exchange (ISE)	80,000	52,480,000
CMB	1,776	1,776
Other	80,754	150,600
<b>Total</b>	<b>295,162,530</b>	<b>427,632,376</b>

As of 31 December 2018, the Company has guarantees amounting to USD 2,000,000 to liquidity suppliers to make leveraged trading transactions (31 December 2017: USD 50,000 and USD 2,000,000).

##### *Other off balance sheet liabilities*

Items held in custody (nominal)	31 December 2018	31 December 2017
Stocks	2,035,022,878	1,749,867,199
Warrants	5,236,369	6,479,377
Other securities	1,219,838,385	5,068,791,522
VIOP agreements (number)	43,040	11,470

As of 31 December 2018, there are VIOP transaction collaterals held on behalf of customers amounting to TL 28,724,907 (31 December 2017: TL 17,276,120) in Takasbank.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2018

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

#### 14 Provisions, contingent assets and liabilities (cont'd)

As at 31 December 2018 and 31 December 2017, open position transactions made on behalf of the customers in TDE market are as follows:

	31 December 2018	31 December 2017
Open position transaction amount	98,928,518	39,663,203

#### *Lawsuits*

As at 31 December 2018, total risk of lawsuits sued against the Company are amounting to approximately TL 1,156,239 (31 December 2017: TL 798,211) and TL 619,500 of provision is provided for these lawsuits on the financial statements (31 December 2017: TL 798,211).

	1 January – 31 December 2018	1 January – 31 December 2017
Opening balance	798,211	1,156,239
Increase during the period	400,807	-
Released provision	(579,518)	(358,028)
<b>Closing balance</b>	<b>619,500</b>	<b>798,211</b>

#### 15 Provisions for employee benefits

As at 31 December 2018 and 31 December 2017, the details of provisions related to employee benefits are below:

	31 December 2018	31 December 2017
<i>Short-term</i>		
- Provision for unused vacation	626,232	914,520
- Personnel dividend bonus provision	2,109,880	1,800,000
<i>Long-term</i>		
- Employee severance pay liability	1,920,566	1,499,508

#### Unused vacation pay liability

Unused vacation pay liability is calculated according to earned but not used vacation days of employees without discounting. As at 31 December 2018 and 31 December 2017, movements in the provision for vacation pay liability during the year were as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Balance at the beginning of the year	914,520	863,210
Increase during the year	226,491	203,611
Paid during the year	(514,779)	(152,301)
<b>Balance at the end of the year</b>	<b>626,232</b>	<b>914,520</b>



# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2018

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

#### 15 Provisions for employee benefits (cont'd)

##### Personnel dividend bonus provision

TL 2,109,880 of personnel dividend bonus provision is calculated according to the Company's estimate for the distribution of dividend for the year 2018 (31 December 2017: TL 1,800,000). In accordance with TAS 19, the Company recognises the related amount as an expense in the current period.

##### Employee severance pay liability

Reserve for employee severance pay liability is calculated according to the net present value of the future probable obligation due to retirement of personnel and stated in the accompanying financial statements.

TFRS requires that actuarial valuation methods to be developed to estimate the Company's liabilities. The Company has calculated the provision for employment termination benefits based on its experience in the Company's previous years to complete the period of service and to be entitled to severance payment, by using the "Projection Method", and has recognized them in the accompanying financial statements. The provision for employment termination benefits has been calculated by calculating the present value of the future probable liability of the Company arising from the retirement of the employees. Accordingly, the actuarial assumptions used to calculate the liability as of 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Discount rate	16.30%	11.00%
Estimated rate of salary increase	12.00%	6.00%
Net discount rate	3.84%	4.72%

As at 31 December 2018 and 31 December 2017, movements in the employee severance pay liability during the year are as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Balance at the beginning of the period	1,499,508	1,073,255
Interest cost	56,056	1,108,737
Service cost	585,835	50,625
Payments during the period	(220,833)	(733,109)
<b>Balance at the end of the period</b>	<b>1,920,566</b>	<b>1,499,508</b>

## **HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**

### **Notes to the financial statements**

#### **for the Year Ended 31 December 2018**

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

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#### **16 Tax assets and liabilities**

As at 31 December 2018, the corporate tax rate is 22% (31 December 2017: 20%). This rate is applied to accounting income modified for certain exemptions and deductions, and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law numbered 5520, published at Official Gazette dated 21 June 2006 and with number 26205. These new regulations have come into force as of 1 January 2007. New arrangements for transfer pricing are in line with basis and principles in guidelines of OECD about transfer pricing.

The article 13 of Corporate Tax Law and announcements related with this article makes clear how to apply arm's length principle between related parties.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Purchase, sale, manufacturing and construction transactions, leasing and renting transactions, borrowing and lending money, premium, fees and similar payment transactions are always accepted as good or service purchase or sale.

Companies are obliged to fill out transfer pricing form attached to yearly corporate tax return. This form should include amounts of all transactions made with related parties and methods of transfer pricing used for these transactions.

According to "the General Communiqué on Disguised Profit Distribution via Transfer Pricing" numbered 1, dated 18 November 2007 and published on Official Gazette, taxpayers registered in "Large Taxpayers Office" have to prepare Transfer Pricing Report for domestic or foreign transactions made with related parties in an accounting period. Other corporate taxpayers have to prepare Transfer Pricing Report for foreign transactions made with related parties in an accounting period.

As per the decision no. 2006/10731 of the Council of Ministers published in the Official Gazette no. 26237 dated 23 July 2006, certain duty rates included in the articles no. 15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, increased to 15% from 10%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 - 25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

In accordance with the tax legislation, tax losses can be carried forward up to five years.

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261.

The 20% corporate tax rate, will be applied as 22% for entities' corporate income belonging to the taxation periods of 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law Article No 91 (To financial years, which start within the related year for entities appointed a special accounting period.). The rate was initially applied in the first temporary tax period in 2018.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2018**

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

**16 Tax assets and liabilities (cont'd)**

A reconciliation illustrates the differences between the total tax provision and the amount calculated by applying the legal tax rate to the profit before tax of the periods ended 31 December 2018 and 31 December 2017:

	1 January – 31 December 2018	1 January – 31 December 2017
Profit before tax	76,281,025	40,670,723
Corporate tax computed with statutory tax rate (22%) (2017: 20%)	16,781,826	8,134,145
Non-deductible expenses	46,555	40,551
Non-taxable income	(598,813)	(24,887)
Effect of temporary difference of future corporate tax	(36,413)	(43,087)
<b>Tax expense</b>	<b>16,193,155</b>	<b>8,106,722</b>

Details of tax expense for the years ended 31 December 2018 and 31 December 2017 are as follows:

	1 January – 31 December 2018	1 January – 31 December 2017
Current tax expense	(16,837,361)	(8,224,526)
Deferred tax expense/(income)	644,206	117,804
<b>Tax expense</b>	<b>(16,193,155)</b>	<b>(8,106,722)</b>

As at 31 December 2018 and 31 December 2017, the corporation tax payable after deduction of prepaid taxes is accounted under "corporate tax payable" in "current tax liabilities" or in "current tax assets" account.

	31 December 2018	31 December 2017
Transfer from previous period	2,841,441	963,198
Current income tax expense	(16,837,361)	(8,224,526)
Prepaid taxes	24,853,905	10,102,769
<b>Current tax (liabilities) / assets</b>	<b>10,857,985</b>	<b>2,841,441</b>

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2018

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

#### 16 Tax assets and liabilities (cont'd)

##### Deferred tax

As at 31 December 2018 and 31 December 2017, details of net deferred tax assets and liabilities are as follows:

	31 December 2018	31 December 2017
<b>Deferred tax assets</b>		
Provision for employment termination benefits	384,113	299,902
Unused vacation provision	137,771	201,195
Provision for personnel premium	464,174	396,000
Allowance for doubtful receivables	124,118	50,212
Lawsuit provision	123,900	159,642
<b>Total deferred tax assets</b>	<b>1,234,076</b>	<b>1,106,951</b>
<b>Deferred tax liabilities</b>		
Financial investments	(1,751,944)	(2,350,745)
Effect of depreciation and amortisation method difference between tax regulations and financial reporting on tangible and intangible assets	(123,506)	(21,891)
Derivative instruments	(107,521)	(127,416)
<b>Total deferred tax liability</b>	<b>(1,982,971)</b>	<b>(2,500,052)</b>
<b>Net deferred tax asset / (liability)</b>	<b>(748,895)</b>	<b>(1,393,101)</b>

#### 17 Shareholders' Equity

In accordance with the resolution of the General Assembly dated 20 April 2018, it is decided to provide primary reserve amounting to TL 1,464,786 at the rate of 5% of the net profit in 2017, to pay first dividend amounting to TL 4,100,000 at the rate of 5% of the share capital, to provide secondary reserve amounting to TL 2,320,942, to provide the secondary reserve amounting to TL 21,409,942 by not paying the amount but adding to capital, to add TL 590,057 that is provided from Extraordinary Reserves and to increase the Company capital from TL 82,000,000 to TL 104,000,000 in total by TL 22,000,000.

##### Restricted reserves

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

As at 31 December 2018, restricted reserves (legal reserves) of the Company are amounting to TL 15,921,709 (31 December 2017: TL 12,135,929).

##### Gain on revaluation and reclassification (securities increment value fund)

Securities increment value fund consists of the accumulated net changes in the fair value of the financial assets available-for-sale until the available-for-sale financial assets are derecognised or impaired.

## **HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**

### **Notes to the financial statements**

#### **for the Year Ended 31 December 2018**

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

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#### **17 Shareholders' Equity (cont'd)**

##### **Other gains**

As a result of the amendments to TAS 19 (2011), all actuarial gains and losses arising from the recognition of defined benefit liabilities are recognised as "other gains" under other comprehensive income for the periods after 31 December 2012.

##### **Retained earnings**

As at 31 December 2018, retained earnings of the Company are amounting to TL 6,141,008 (31 December 2017: TL 3,462,787).

#### **18 Sales revenue and cost of sales**

As of 31 December 2018 and 31 December 2017, sales revenue is as follows:

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2018**

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

	1 January – 31 December 2018	1 January – 31 December 2017
<b>Sales revenue</b>		
Government bond sales	57,788,477	87,095,596
Government bond repo sales	1,500,000	-
Stock and interim certificate sales	16,693,919	10,323,909
Private sector bond sales	561,636,422	32,286,575
Bank bond sales	326,562	12,128,874
Sukuk rent certificates	83,891,049	204,616,766
Commercial paper sales	780,110,345	90,233,474
Eurobond sales	33,584,446	6,112,695
Treasury bill sales	1,892,204	2,609,160
Covered warrant sales	9,064	-
Investment bond sales	-	10,522,982
<b>Total sales income</b>	<b>1,537,432,488</b>	<b>455,930,031</b>
<b>Service income</b>		
Stock commission income	46,824,580	34,743,679
Interest income from customers	19,261,671	10,319,803
Public offering intermediary income	27,567,005	12,897,396
Fixed income securities commissions	160,534	74,776
Repo-reverse repo commissions	1,056,888	1,775,086
Settlement and Custody bank money market commission	553,465	186,598
VIOP commission income	4,235,891	2,231,316
Securities Lending Market and other commission income	227,658	268,129
Leveraged trade collaterals	2,570,676	5,083,567
Funds management commission income	254,073	372,525
Consulting and reporting services income	952,000	390,000
<b>Total service income</b>	<b>103,664,441</b>	<b>68,342,875</b>
<b>Discounts from service income</b>		
Branch and customer commission income	(17,010)	(14,575)
<b>Total discounts from service income</b>	<b>(17,010)</b>	<b>(14,575)</b>
<b>Total sales income</b>	<b>1,641,079,919</b>	<b>524,258,331</b>
<b>Cost of sales</b>		
Government bond purchases	57,665,295	86,823,270
Government bond repo purchases	1,500,000	-
Stock and interim certificate purchases	16,768,512	9,682,317
Private sector bond purchases	561,567,856	32,280,937
Bank bond purchases	326,562	12,050,876
Sukuk rent certificates	83,891,047	204,593,874
Commercial paper purchases	777,428,152	90,046,952
Eurobond purchases	33,428,517	6,088,139
Commercial bond purchases	1,892,874	2,609,062
Covered warrant purchases	9,198	-
Investment bond purchases	-	9,999,974
<b>Total cost of sales</b>	<b>1,534,478,013</b>	<b>454,175,401</b>
<b>Gross profit</b>	<b>106,601,906</b>	<b>70,082,930</b>

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2018

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

#### 19 Marketing expenses and general administrative expenses

For the years ended 31 December 2018 and 31 December 2017, general administrative expenses are as follows:

<i>General administrative expenses</i>	<b>1 January – 31 December 2018</b>	<b>1 January – 31 December 2017</b>
Personnel expenses	22,300,810	20,249,220
-Salaries	15,796,854	14,490,804
-Personnel insurance and bonus expenses	3,576,287	3,227,283
-Personnel service expenses	470,889	526,135
-Personnel retirement pay expenses	641,891	764,986
-Personnel retirement pay payments	220,833	243,152
-Personnel food expenses	595,467	581,523
-Other personnel expenses	998,590	1,184,624
Data monitor and distribution expenses	1,386,590	1,614,508
Rent expenses	1,730,857	1,485,187
Depreciation and amortisation expenses	1,264,382	891,042
Outsourced benefits and services	2,169,316	1,819,723
Communication expenses	1,202,700	956,702
Taxes and dues	1,029,262	1,071,808
T. Halk Bankası AŞ common expenses participation provision expenses	520,888	596,213
Audit and advisory expenses	196,008	174,687
Vehicle rent and fuel expenses	950,914	705,142
Maintenance and repair expenses	608,347	437,874
Representation expenses	166,420	116,401
Other	262,939	1,152,594
<b>Total</b>	<b>33,789,433</b>	<b>31,271,101</b>

For the years ended 31 December 2018 and 31 December 2017, marketing expenses are as follows:

<i>Marketing expenses</i>	<b>1 January – 31 December 2018</b>	<b>1 January – 31 December 2017</b>
Share of stock exchange expenses	5,288,863	4,514,699
Data monitor and distribution expenses	3,352,011	2,258,981
Data server expenses	329,169	235,872
Commercial paper issue expenses	556,613	905,121
Commission and service expenses	1,459,631	768,304
Advertising, notice and subscription expenses	604,020	362,110
Stock exchange and association subscriptions	329,077	159,840
Stock exchange access expenses	236,709	179,243
Sponsorship expenses	93,333	60,000
Internet and website expenses	83,336	57,032
Other	62,673	46,924
<b>Total</b>	<b>12,395,435</b>	<b>9,548,126</b>

#### 20 Expenses by nature

The Company classifies the expenses on function basis in the accompanying financial statements. Depreciation and amortisation expenses for the year ended 31 December 2018 are TL 1,264,382 (31 December 2017: TL 891,042). Employee severance pay liability expense for the year ended 31 December 2018 is amounting to TL 429,901, and unused vacation expense is TL 226,491 (31 December 2017: TL 424,396 employee severance pay liability, TL 203,611 unused vacation expense).

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2018

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

#### 21 Other operating income and expenses

For the years ended 31 December 2018 and 31 December 2017, other operating income and expenses are as follows:

<i>Other operating income</i>	<b>1 January – 31 December</b>	<b>1 January – 31 December</b>
Other service income <sup>(1)</sup>	605,096	228,333
Dividend income <sup>(2)</sup>	154,140	56,413
SSI return premiums and other income <sup>(3)</sup>	26,342	283,097
Released provisions <sup>(4)</sup>	579,518	-
<b>Total</b>	<b>1,365,096</b>	<b>567,843</b>

(1) It comprises remittance commissions received from customers, support services provided, collections from the lawsuits and other income.

(2) It comprises dividend income on corporate portfolio..

(3) The amount of TL 24,476 is received as grant from treasury for SSI payments. (31 December 2017: TL 19,807).

(4) It comprises reversal income for provisions for lawsuits in prior periods.

<i>Other operating expenses</i>	<b>1 January – 31 December</b>	<b>1 January – 31 December</b>
Lawsuit provisions	483,148	219,183
Other expenses and losses <sup>(1)</sup>	949,323	147,152
<b>Total</b>	<b>1,432,471</b>	<b>366,335</b>

(1) It comprises data release screens closing indemnity, administrative fine, customers' unsecured balances and other expenses.



# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2018

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

## 22 Finance income and expenses

For the years ended 31 December 2018 and 31 December 2017, finance income and expenses are as follows:

<i>Finance income</i>	<b>1 January – 31 December 2018</b>	<b>1 January – 31 December 2017</b>
Interest income on time deposits	61,627,840	61,444,363
Interest income on reverse repurchase agreements	24,979,516	15,977,106
Fixed yield security redemption, coupon and rediscount income	2,246,235	1,116,464
VIOP and other guarantees interest income	1,036,871	196,181
Takasbank money market interest income	528,849	441,017
Derivative income	40,081,621	11,852,429
Foreign exchange gains	16,682,712	5,600,102
Other	150,413	296,132
<b>Total</b>	<b>147,334,057</b>	<b>96,923,794</b>

<i>Finance expenses</i>	<b>1 January – 31 December 2018</b>	<b>1 January – 31 December 2017</b>
Takasbank borrowing and credit interest expenses	62,998,039	30,064,255
Commercial paper interest expenses	30,081,234	35,013,099
Interest expense on repurchase agreements	23,121,527	13,633,142
Foreign exchange loss	13,547,634	5,313,071
Valuation differences of stocks	2,019,732	2,659,315
Letter of guarantee commissions	2,082,475	1,469,780
Other	27,388	140
<b>Total</b>	<b>133,878,029</b>	<b>88,152,802</b>

## 23 Nature and level of risks related to financial instruments

The Company manages its financial risk in accordance with the Communiqué Serial: V, No: 34 "Communiqué on Capital and Capital Adequacy of Brokerage Companies" ("Communiqué 34") promulgated by CMB. The Company is obliged to prepare risk provision, capital adequacy basis and liquidity requirement calculation tables in accordance with Communiqué 34 and report these to CMB periodically.

### 23.1 Credit risk

The Company conducts brokerage services on behalf of corporate and individual investors and provides advisory services. The Company also makes trading of various marketable securities. The Company may be exposed to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Company. In order to control or mitigate such risks, the Company wants its customers to hold cash or cash equivalents in their accounts. Loan risk management is performed by following daily values and liquidity of collaterals, by setting daily limit for counterparty risk and by following adequacy of collaterals received for loans and receivables. The Company sells trust collaterals if counterparty fails to keep its loan margin which determined before.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2018

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

## 23 Nature and level of risks related to financial instruments (*Cont'd*)

### 23.1 Credit risk (*cont'd*)

#### Details of credit risk by class of financial instruments:

31 December 2018	Receivables			Cash at banks <sup>(1)</sup>	Derivative instruments	Financial investments <sup>(2)</sup>
	Trade receivables		Other receivables			
	Related party	Other	Other			
<b>Maximum credit risk exposure as at balance sheet date (A+B+C+D+E)</b>	<b>228,767</b>	<b>103,667,999</b>	<b>17,156,552</b>	<b>108,310,347</b>	<b>488,733</b>	<b>33,805,876</b>
- Secured portion of the maximum credit risk by guarantees etc.	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	228,767	103,103,826	17,156,552	108,310,347	488,733	33,805,876
B. Net book value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-	-	-
- Secured portion by guarantees, etc.	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross amount)	-	564,173	-	-	-	-
- Impairment (-)	-	564,173	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

(1) Reverse repurchase agreements presented in cash and cash equivalents amounting to TL 27,981,023 is included.

(2) Long term financial assets are not included. Since stocks do not hold credit risk, they are not included in financial assets.

31 December 2017	Receivables			Cash at banks <sup>(1)</sup>	Derivative instruments	Financial investments <sup>(2)</sup>
	Trade receivables		Other receivables			
	Related party	Other	Other			
<b>Maximum credit risk exposure as at balance sheet date (A+B+C+D+E)</b>	<b>304,915</b>	<b>101,266,209</b>	<b>3,856,939</b>	<b>736,995,978</b>	<b>579,161</b>	<b>6,768,754</b>
- Secured portion of the maximum credit risk by guarantees etc.	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	304,915	101,037,974	3,856,939	736,995,978	579,161	6,768,754
B. Net book value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-	-	-
- Secured portion by guarantees, etc.	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross amount)	-	228,235	-	-	-	-
- Impairment (-)	-	228,235	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

(1) Reverse repurchase agreements presented in cash and cash equivalents amounting to TL 18,697,374 is included.

(2) Long term financial assets are not included. Since stocks do not hold credit risk, they are not included in financial assets.

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2018

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

## 23 Nature and level of risks related to financial instruments (Cont'd)

### 23.2 Liquidity risk

As of 31 December 2018, the residual contractual maturities of the Company's financial liabilities are as follows:

<b>Contractual maturity</b>	<b>Carrying value</b>	<b>Total contractual cash outflows</b>	<b>3 months or less</b>	<b>3-12 months</b>	<b>1-5 years</b>
<b>Non-derivate financial liabilities</b>	<b>112,959,085</b>	<b>113,327,261</b>	<b>113,327,261</b>	-	-
Trade payables	60,603,259	60,603,259	60,603,259	-	-
Financial liabilities	52,355,826	52,724,002	52,724,002	-	-
<b>Derivative financial liabilities</b>	<b>488,733</b>	<b>2,811,000</b>	<b>2,811,000</b>	-	-
Derivative cash outflows	488,733	2,811,000	2,811,000	-	-

As of 31 December 2017, the residual contractual maturities of the Company's financial liabilities are as follows:

<b>Contractual maturity</b>	<b>Carrying value</b>	<b>Total contractual cash outflows</b>	<b>3 months or less</b>	<b>3-12 months</b>	<b>1-5 years</b>
<b>Non-derivate financial liabilities</b>	<b>741,750,661</b>	<b>743,249,688</b>	<b>417,689,908</b>	<b>325,559,780</b>	-
Trade payables	78,691,854	78,691,854	78,691,854	-	-
Financial liabilities	663,058,807	664,557,834	338,998,054	325,559,780	-
<b>Derivative financial liabilities</b>	<b>579,161</b>	<b>1,240,000</b>	<b>1,240,000</b>	-	-
Derivative cash inflows	579,161	1,240,000	1,240,000	-	-

As at 31 December 2018 and 31 December 2017, the liquidity requirement of the Company in accordance with Communiqué 34 is as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Current assets (A)	282,037,264	861,064,112
Current liabilities (B)	124,005,831	751,692,966
<b>Current assets/Current liabilities (A/B)</b>	<b>2.27</b>	<b>1.15</b>

The Company is not exposed to liquidity risk because its current assets are more than current liabilities.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2018**

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

**23 Nature and level of risks related to financial instruments (Cont'd)****23.3 Market risk***Foreign currency risk*

The assets denominated in foreign currency of the Company exposes to foreign currency risk, due to changes between currency rate at transaction date and at end of the reporting date, while translating the assets denominated in foreign currency. As of 31 December 2018 and 31 December 2017, the Company's foreign currency position is as follows:

	31 December 2018				
	TL equivalent (Functional currency)	US Dollar	Euro	JPY	Other
1. Trade receivables	-	-	-	-	-
2a. Monetary financial assets (including cash, bank deposit accounts)	55,450,239	10,538,940	983	-	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	-	-	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>55,450,239</b>	<b>10,538,940</b>	<b>983</b>	-	-
5. Trade receivables	2,920,857	541,645	983	-	22,827
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>2,920,857</b>	<b>541,645</b>	<b>983</b>	-	<b>22,827</b>
<b>9. Total assets (4+8)</b>	<b>58,371,096</b>	<b>11,080,586</b>	<b>1,967</b>	-	<b>22,827</b>
10. Trade payables	9,542,254	1,812,725	-	-	1,518
11. Financial liabilities	-	-	-	-	-
12a. Monetary other liabilities	-	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>9,542,254</b>	<b>1,812,725</b>	-	-	<b>1,518</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	-	-	-	-	-
<b>18. Total liabilities (13+17)</b>	<b>9,542,254</b>	<b>1,812,725</b>	-	-	<b>1,518</b>
<b>19. Off-balance sheet derivative instruments net asset/(liability) position (19a-19b)</b>	<b>(52,609,000)</b>	<b>(10,000,000)</b>	-	-	-
19a. Amount of active foreign currency derivative off-balance sheet	-	-	-	-	-
19b. Amount of pasive foreign currency derivative off-balance sheet	52,609,000	10,000,000	-	-	-
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(3,780,158)</b>	<b>(732,139)</b>	<b>1,967</b>	-	<b>21,309</b>
<b>21. Monetary items net foreign currency assets / (liabilities) (tfrs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>48,828,842</b>	<b>9,267,861</b>	<b>1,967</b>	-	<b>21,309</b>
<b>22. Fair value of financial instruments used for currency hedge</b>	-	-	-	-	-
<b>23. Hedged foreign currency assets</b>	-	-	-	-	-
<b>24. Hedged foreign currency liabilities</b>	-	-	-	-	-

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2018

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

## 23 Nature and level of risks related to financial instruments (Cont'd)

### 23.3 Market risk (Cont'd)

#### Foreign currency risk (Cont'd)

	31 December 2017				
	TL equivalent (Functional currency)	US Dollar	Euro	JPY	Other
1. Trade receivables	-	-	-	-	-
2a. Monetary financial assets (including cash, bank deposit accounts)	31,655,365	8,385,227	5,965	-	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	-	-	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>31,655,365</b>	<b>8,385,227</b>	<b>5,965</b>	-	-
5. Trade receivables	2,200,606	551,265	5,965	1,665,532	44,920
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>2,200,606</b>	<b>551,265</b>	<b>5,965</b>	<b>1,665,532</b>	<b>44,920</b>
<b>9. Total assets (4+8)</b>	<b>33,855,971</b>	<b>8,936,492</b>	<b>11,930</b>	<b>1,665,532</b>	<b>44,920</b>
10. Trade payables	7,151,609	1,896,023	-	-	1,236
11. Financial liabilities	-	-	-	-	-
12a. Monetary other liabilities	-	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>7,151,609</b>	<b>1,896,023</b>	-	-	<b>1,236</b>
14. Trade payables	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	-	-	-	-	-
<b>18. Total liabilities (13+17)</b>	<b>7,151,609</b>	<b>1,896,023</b>	-	-	<b>1,236</b>
<b>19. Off-balance sheet derivative instruments net asset/(liability) position (19a-19b)</b>	<b>(29,583,528)</b>	<b>(7,843,137)</b>	-	-	-
19a. Amount of active foreign currency derivative off-balance sheet	-	-	-	-	-
19b. Amount of pasive foreign currency derivative off-balance sheet	29,583,528	7,843,137	-	-	-
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(2,879,166)</b>	<b>(802,668)</b>	<b>11,930</b>	<b>1,665,532</b>	<b>43,684</b>
<b>21. Monetary items net foreign currency assets / (liabilities) (ffrs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>26,704,362</b>	<b>7,040,469</b>	<b>11,930</b>	<b>1,665,532</b>	<b>43,684</b>
22. Fair value of financial instruments used for currency hedge	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2018**

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

**23 Nature and level of risks related to financial instruments (Cont'd)****23.3 Market risk (Cont'd)***Sensitivity to foreign currency*

The Company is exposed to foreign currency risk denominated mainly in Euro, US Dollar and GBP.

The sensitivity of the Company to 10% increase and decrease of Euro, US Dollar and GBP presented below. This rate is the rate that is used in reporting of the Company's currency risk to top management and represents possible change in foreign currency rates that is expected by the management. Sensitivity analysis includes only foreign currency monetary items and represents the effect of change of 10% currency rate at the end of period. Positive value represents increase on profit/loss and other equity items.

<b>31 December 2018</b>		
	<b>Foreign currency increase against TL</b>	<b>Foreign currency decrease against TL</b>
<u>10% change in US Dollar against TL</u>		
1- US Dollar net asset/liability	4,875,729	(4,875,729)
2- Hedged risk (UD Dollar) (-)	-	-
<b>3- US Dollar net effect (1+2)</b>	<b>4,875,729</b>	<b>(4,875,729)</b>
<u>10% change in Euro against TL</u>		
4- Euro net asset/liability	1,186	(1,186)
5- Hedged risk (Euro) (-)	-	-
<b>6- Euro net effect (4+5)</b>	<b>1,186</b>	<b>(1,186)</b>
<u>10% change in other currencies against TL</u>		
7- Other net asset/liability	5,970	(5,970)
8- Hedged risk (Other) (-)	-	-
<b>9- Other net effect (7+8)</b>	<b>5,970</b>	<b>(5,970)</b>
<b>Total (3+6+9)</b>	<b>4,882,885</b>	<b>(4,882,885)</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2018**

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

**23 Nature and level of risks related to financial instruments (Cont'd)****23.3 Market risk (Cont'd)***Sensitivity to foreign currency (Cont'd)*

<b>31 December 2017</b>		
	<b>Foreign currency increase against TL</b>	<b>Foreign currency decrease against TL</b>
<u>20% change in US Dollar against TL</u>		
1- US Dollar net asset/liability	2,655,595	(2,655,595)
2- Hedged risk (UD Dollar) (-)	-	-
<b>3- US Dollar net effect (1+2)</b>	<b>2,655,595</b>	<b>(2,655,595)</b>
<u>20% change in Euro against TL</u>		
4- Euro net asset/liability	5,426	(5,426)
5- Hedged risk (Euro) (-)	-	-
<b>6- Euro net effect (4+5)</b>	<b>5,426</b>	<b>(5,426)</b>
<u>20% change in JPY against TL</u>		
7- JPY net asset/liability	5,612	(5,612)
8- Hedged risk (JPY) (-)	-	-
<b>9- JPY net position (7+8)</b>	<b>5,612</b>	<b>(5,612)</b>
<u>20% change in other currencies against TL</u>		
10- Other net asset/liability	3,803	(3,803)
11- Hedged risk (Other) (-)	-	-
<b>12- Other net effect (10+11)</b>	<b>3,803</b>	<b>(3,803)</b>
<b>Total (3+6+9+12)</b>	<b>2,670,436</b>	<b>(2,670,436)</b>

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2018

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

## 23 Nature and level of risks related to financial instruments (Cont'd)

### 23.3 Market risk (Cont'd)

#### Price risk

Share price risk is the market value decrease risk of shares due to the change in the share index levels and relevant equity shares.

As at 31 December 2018 and 31 December 2017, in case of having a 20% decrease/increase in İstanbul Stock Exchange stock market index while having all other variables constant, the effects on profit or loss and comprehensive income would be as follows:

31 December 2018	Profit / (loss)		Equity <sup>(*)</sup>	
	20% increase	20% decrease	20% increase	20% decrease
<i>Financial assets at fair value through profit or loss</i>				
- Stocks	3,899,827	(3,899,827)	3,899,827	3,899,827
<i>Financial assets at fair value through other comprehensive income</i>				
- Stocks	-	-	45,328	(45,328)
<b>Total</b>	<b>3,899,827</b>	<b>(3,899,827)</b>	<b>3,945,155</b>	<b>3,854,499</b>

(\*) Profit / (loss) change is included.

31 December 2017	Profit / (loss)		Equity <sup>(*)</sup>	
	20% increase	20% decrease	20% increase	20% decrease
<i>Financial assets at fair value through profit or loss</i>				
- Stocks	3,191,298	(3,191,298)	3,191,298	3,191,298
<i>Financial assets at fair value through other comprehensive income</i>				
- Stocks	-	-	57,238	(57,238)
<b>Total</b>	<b>3,191,298</b>	<b>(3,191,298)</b>	<b>3,248,536</b>	<b>3,134,060</b>

(\*) Profit / (loss) change is included.



**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2018**

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

**23 Nature and level of risks related to financial instruments (Cont'd)****23.3 Market risk (Cont'd)***Interest rate risk*

The Company allocates cash and cash equivalents it possesses in marketable securities or bank deposits, depending on the market conditions.

		<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Financial instruments with fixed interest rate</b>			
	Financial assets at fair value through profit or loss	827,028	1,861,216
Financial assets	Time deposits	61,541,772	695,036,566
	Receivables from reverse repurchase agreements	27,981,023	18,697,374
Trade receivables	Receivables from loan customers	64,478,434	63,626,342
Financial liabilities	Financial liabilities	52,355,826	663,058,807
<b>Financial instruments with floating interest rate</b>			
Financial assets	Financial assets at fair value through profit or loss	32,978,848	4,907,538

*Interest risk position table*

Stocks are not included in financial investments.

The Company's debt securities classified as financial assets at fair value through profit/loss, are exposed to price risk depending upon interest rate changes in the market. Based on the analysis calculated by the Company, if the interest rate for TL were increased or decreased by 1% holding all other factors constant, the effect on the fair value of fixed income financial assets and net profit/loss and the effect on equity for the period ended as at 31 December 2018 is detailed in the table below. The sensitivity analysis is applied on the same basis also in 2017.

	<b>Profit / (loss)</b>		<b>Equity</b>		
	<b>100 bp increase</b>	<b>100 bp decrease</b>	<b>100 bp increase</b>	<b>100 bp decrease</b>	
<b>31 December 2018</b>					
Financial assets	(1,281,698)	1,357,438	(1,281,698)	1,357,438	
<b>31 December 2017</b>					
Financial assets	(49,075)	49,075	(49,075)	49,075	
		<b>31 December 2018</b>		<b>31 December 2017</b>	
		<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Swap transactions	488,733	-	579,161	-	
<b>Total</b>	<b>488,733</b>	<b>-</b>	<b>579,161</b>	<b>-</b>	

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2018

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

## 23 Finansal araçlardan kaynaklanan risklerin niteliği ve düzeyi (devamı)

### 23.4 Capital management

As of 31 December 2018 and 31 December 2017, the minimum liability for shareholders' equity that the Company should possess shall be TL 26,209,815 and TL 25,472,637, respectively since the Company is defined as "Entity with Broad Authority" in the scope of the Communiqué 34.

In addition, the capital adequacy basis that has to be attained by the Company in accordance with the valuation regulations in Communiqué 34, is the amount calculated by deducting following asset items from share capital compensated by shareholders.

a) Non-current assets;

1) Property, plant and equipment (net),

2) Intangible assets (net),

3) Non-current financial assets (not publicly traded) less any impairment and capital commitments,

4) Other non-current assets,

b) Unsecured receivables from personnel, shareholders, associates, subsidiaries and direct or indirect related parties (even if these are customers) and capital market instruments issued by above mentioned entities which are not publicly traded.

The Company's capital base is TL 146,181,966 as of 31 December 2018 (31 December 2017: TL 104,296,011). The base of adequacy cannot be less than the items stated below.

a) Minimum capital corresponding the license obtained,

b) Risk provision,

c) Operational expenses occurred last three months before valuation date.

As of 31 December 2018, the capital adequacy base of the Company is higher than the abovementioned items.

#### *Risk provision*

The Company calculates risk provision both on and off balance sheet items in accordance with the Communiqué Serial V, No: 34. Risk provision is the sum of position risk, counter-party risk, concentration risk and foreign exchange risk calculated as per Communiqué Serial V, No: 34.

As at 31 December 2018 and 31 December 2017, the risk provision amounts calculated in accordance with the "Communiqué: V, No: 34" are as follows:

	31 December 2018	31 December 2017
Position risk	15,099,814	31,328,469
Counter party risk	16,996,344	48,218,980
Exchange rate risk	-	96,190
<b>Total risk provision</b>	<b>32,096,158</b>	<b>79,643,639</b>

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2018

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

24

## Financial instruments

### Fair value disclosures

The Company determined the estimated current price of the financial instruments by using the appropriate valuation methods and available market information.

It is estimated that the fair values and carrying amounts of the financial assets and financial liabilities are close to each other, since they have short term maturities.

### Classification relevant to fair value information

"TFRS 7 – Financial Instruments: Disclosures" standard necessitates the demonstration of a classified data sorted according to its importance and relevancy while determining the fair value of financial instruments. This classification depends on quality of related data observability. Observable data means the usage of market data received from independent sources and non-observable data means the usage of the Company's estimates and assumptions about the market. This distinction reveals the following classifications.

Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices

Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions

Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

Classification requires the utilisation of observable market data, if available.

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

<b>31 December 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial investments (short-term)	53,305,009	-	-	53,305,009
Financial investments (long-term) <sup>(*)</sup>	226,641	3,276,094	-	3,502,735
Derivative instruments	-	488,733	-	-

(\*) Associate balance amounting to TL 5 that is recognized at cost value is not included.

<b>31 December 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial investments (short-term)	22,725,244	-	-	22,725,244
Financial investments (long-term) <sup>(*)</sup>	286,190	2,914,571	-	3,200,761
Derivative instruments	-	579,161	-	579,161

(\*) Associate balance amounting to TL 8,500 that is recognized at cost value is not included.

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2018

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

#### 24 Finansal instruments (*Cont'd*)

##### *Fair value disclosures (Cont'd)*

##### *Classification relevant to fair value information (cont'd)*

Fair value of Halk Faktoring A.Ş. which is classified as Level 2 is measured by an independent valuation company by using comparable company value method which counts averages the weighted average of the amount and net asset value amounts calculated over the market value/book value factor and net asset value.

Since Halk Gayrimenkul Yatırım Ortaklığı A.Ş. is publicly traded company, the fair value is determined over the market price and represented as Level 1 in the table above.

As of 31 December 2018 and 31 December 2017, the Company's Borsa İstanbul associate rate is 0.377%. The Company holds 159,711 shares with nominal value of TL 15,971,094. In the current period, the relevant shares are valued with price per share that is determined in the 15 January 2018 dated and 2018/6 numbered meeting of Borsa İstanbul, and the valuation effect is recognized under equity in financial statements.

#### 25 Non-current assets held for sale

Company's Board of Directors decided to dispose the shares of Halk Portföy Yönetimi A.Ş., which is a subsidiary of the Company, and Ziraat Portföy Yönetim A.Ş on 14 December 2018. These assets are classified as held for sale and presented separately in the financial statements.

	31 December 2018	31 December 2017
Assets held for sale	9,624,573	-
<b>Total</b>	<b>9,624,573</b>	<b>-</b>

Company's Halk Portföy Yönetimi A.Ş. shares, existing in its non-current assets classified as held for sale, were sold on 31 January 2019 with a value of TL 13,125,000.

#### 26 Other matters

As a result of the litigation held in United States of America ("USA") regarding the violation of the Iran sanctions implemented by USA, against the former director of the Türkiye Halk Bankası A.Ş. ("Parent Bank"), which is the main shareholder of the Company, the former director has been found guilty of some of the changes made against him by the court of law as of 16 May 2018 and sentenced to imprisonment. In the ensuing period, it may be possible for the former director to pursue all possible legal proceedings, including appeals, against the decision; and the judicial process regarding the litigation is not yet finalized.

The Parent Bank is neither a party of the litigation nor it directly interferes with the litigation. There are no fiscal or judicial decisions regarding Parent Bank made by the court.

The Parent Bank thoroughly complies with the national and international regulations in all its businesses and transactions, at all times; and endeavours to further develop its compliance policy as per the international standards.

While delivering its banking services, the Parent Bank solely utilizes foreign trade applications that are acknowledged and monitored by current regulations and all other banks; no other mechanism, method, or system is used. The foreign trade transactions and money transfers processed are explicit, transparent and readily observable by the relevant authorities. The Parent Bank shall preserve the transparency of its transactions and its policy of compliance with the international regulations, hereinafter, with the same determination.

## **HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**

### **Notes to the financial statements**

#### **for the Year Ended 31 December 2018**

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

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#### **26 Other matters (Cont'd)**

Since the Parent Bank places an utmost importance on the matter, it had gone through a change in its organizational structure and established a new unit in the name of "Department of Compliance" ("Uyum Daire Başkanlığı"). Consultancy services of an international firm of expertise are utilised for the enhancement of the department efficiency of its compliance policy as well as its processes of operation and control.

#### **27 Events after reporting period**

The Company's stocks in Halk Portföy Yönetimi A.Ş., that are non-current assets held for sale, were sold on 31 January 2019 with a value of TL 13.125.000. The sales price is the fair value of the Company's 6.500.000 shares in Halk Portföy Yönetimi A.Ş. equal to 6.500.000 TL. The fair value was determined in the valuation report dated 5 October 2018 prepared by PwC Yönetim Danışmanlık A.Ş. for Halk Bankası A.Ş.