

**HALK YATIRIM MENKUL DEĞERLER
ANONİM ŞİRKETİ**

**CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD
ENDED 30 JUNE 2018 AND
LIMITED REVIEW REPORT**

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

**(CONVENIENCE TRANSLATION OF THE LIMITED REVIEW REPORT ON
CONDENSED INTERIM FINANCIAL INFORMATION ORIGINALLY ISSUED IN TURKISH)**

**LIMITED REVIEW REPORT ON CONDENSED
INTERIM FINANCIAL INFORMATION**

To the Board of Directors of
Halk Yatırım Menkul Değerler A.Ş.

Introduction

We have reviewed the accompanying condensed statement of financial position of Halk Yatırım Menkul Değerler A.Ş. ("the Company") as at 30 June 2018, and the condensed statement of profit or loss, condensed statement of other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes. The Company management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with Turkish Accounting Standards ("TAS 34"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with TAS 34 "Interim Financial Reporting".

Other Matter

As further disclosed in Note 17, 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. (“Main Shareholder Bank”), which is one of the main shareholders 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 Main Shareholder Bank is neither a party of the litigation nor it directly interferes with the litigation. There are no fiscal or judicial decisions regarding Main Shareholder 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 Main Shareholder Bank, and the probable impact of the matter over the Company. It is indicated that the Management of the Main Shareholder Bank is not implementing any possible sanctions or precautions against the Main Shareholder Bank at this stage of the matter. However, the matter does not affect our opinion.

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

Müjde Aslan, SMMM
Partner

İstanbul, 9 August 2018

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HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Condensed Statement of Financial Position as of 30 June 2018**

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

	Notes	Reviewed 30 June 2018	Audited 31 December 2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	676.909.081	730.203.008
Financial investments		24.527.947	22.725.244
Trade receivables	4-5	118.502.284	101.342.889
- Trade receivables from related parties	4	856.456	304.915
- Trade receivables from third parties	5	117.645.828	101.037.974
Other receivables		16.784.868	10.649.909
Derivative instruments		7.704.365	579.161
Prepaid expenses		1.494.546	1.526.068
Current tax assets	11	4.802.319	2.841.441
TOTAL CURRENT ASSETS		850.725.410	869.867.720
Non-current assets			
Financial investments		3.348.823	3.209.261
Investments accounted thorough equity method	7	8.227.549	7.361.739
Property, plant and equipment		2.704.595	2.091.526
Intangible assets		706.603	304.828
Other non-current assets		1.930.507	1.638.281
TOTAL NON-CURRENT ASSETS		16.918.077	14.605.635
TOTAL ASSETS		867.643.487	884.473.355
LIABILITIES			
Current liabilities			
Financial liabilities	6	606.834.659	663.058.807
Trade payables	4-5	77.100.529	78.691.854
- Trade payables to related parties	4	8.084	766.875
- Trade payables to third parties	5	77.092.445	77.924.979
Other payables		27.246.734	4.927.193
Short-term payables		2.638.864	3.622.010
- Short-term provisions for employee benefits		1.761.752	2.714.520
- Other short-term provisions	10	877.112	907.490
TOTAL CURRENT LIABILITIES		713.820.786	750.299.864
Non-current liabilities			
Long-term provisions		1.755.565	1.499.508
- Long term provisions for employee benefits		1.755.565	1.499.508
Deferred tax liability	11	2.757.915	1.393.101
TOTAL NON-CURRENT LIABILITIES		4.513.480	2.892.609
EQUITY			
Share capital	12	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		2.063.581	1.924.018
-Gain on revaluation and remeasurement		2.063.581	1.924.018
Accumulated other comprehensive income that will not be reclassified subsequently to profit or loss		(805.853)	(805.853)
Retained earnings		6.141.008	3.462.787
Profit for the period		21.988.776	32.564.001
TOTAL EQUITY		149.309.221	131.280.882
TOTAL LIABILITIES AND EQUITY		867.643.487	884.473.355

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Condensed Statement of Profit or Loss and Other Comprehensive Income
for the Period Ended 30 June 2018

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

	Notes	Reviewed 1 January - 30 June 2018	Reviewed 1 April - 30 June 2018	Reviewed 1 January - 30 June 2017	Reviewed 1 April - 30 June 2017
PROFIT OR LOSS					
Revenue	13	1.513.968.865	787.407.391	182.705.350	98.884.586
Cost of sales	13	(1.467.324.349)	(764.658.305)	(152.556.950)	(83.561.500)
GROSS PROFIT		46.644.516	22.749.086	30.148.400	15.323.086
General administrative expenses		(17.372.596)	(8.932.457)	(16.400.589)	(8.099.427)
Marketing expenses		(6.048.517)	(3.256.425)	(4.241.188)	(2.202.557)
Other income from operating activities		358.346	293.441	531.461	215.050
Other expenses from operating activities		(54.187)	6.245	(342.454)	(46.069)
OPERATING INCOME		23.527.562	10.859.890	9.695.630	5.190.083
Share of profit/(loss) of investments accounted for using the equity method	7	1.090.810	522.808	902.065	420.367
OPERATING INCOME BEFORE FINANCE EXPENSE		24.618.372	11.382.698	10.597.695	5.610.450
Financial income	14	63.903.632	32.046.171	39.096.304	16.826.710
Financial expense	14	(60.581.985)	(30.258.204)	(34.318.695)	(14.566.325)
PROFIT BEFORE TAX		27.940.019	13.170.665	15.375.304	7.870.835
Tax expense/income					
- Current tax expense	11	(4.586.429)	1.137.508	(2.825.991)	(1.253.120)
- Deferred tax income / (expense)	11	(1.364.814)	(3.777.866)	(7.351)	(157.937)
PROFIT FOR THE PERIOD		21.988.776	10.530.307	12.541.962	6.459.778
OTHER COMPREHENSIVE INCOME		139.563	39.457	41.735	26.830
Items that may be reclassified subsequently to profit or loss					
Gain on revaluation and remeasurement		139.563	39.457	41.735	26.830
TOTAL COMPREHENSIVE INCOME		22.128.339	10.569.764	12.583.697	6.486.608

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Condensed Statement of Changes in Equity
for the Period Ended 30 June 2018

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

	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		Retained earnings			Equity
			Currency translation differences	Gain on revaluation and remeasurement	Other gains/losses	Restricted reserves appropriated from profit	Prior years' profits / (losses)	Profit/(loss) for the period		
Balances as of 1 January 2017		82.000.000	-	1.551.413	(805.853)	10.610.120	675.741	16.476.308	16.476.308	110.507.729
Transfers		-	-	-	-	-	16.476.308	(16.476.308)	-	-
Profit for the period		-	-	-	-	-	-	12.541.962	12.541.962	12.541.962
Other comprehensive income		-	-	41.735	-	-	-	-	-	41.735
<i>Net carrying value of available for sale financial assets</i>		-	-	<i>41.735</i>	-	-	-	-	-	<i>41.735</i>
Total comprehensive income		-	-	41.735	-	-	-	12.541.962	12.541.962	12.583.697
Balances as of 30 June 2017		82.000.000	-	1.593.148	(805.853)	10.610.120	17.152.049	12.541.962	12.541.962	123.091.426
Balances as of 1 January 2018		82.000.000	-	1.924.018	(805.853)	12.135.929	3.462.787	32.564.001	32.564.001	131.280.882
Transfers		-	-	-	-	4.375.838	28.188.163	(32.564.001)	-	-
Profit for the period		-	-	-	-	-	-	21.988.776	21.988.776	21.988.776
Other comprehensive income		-	-	139.563	-	-	-	-	-	139.563
<i>Change in fair value of financial assets recognized in other comprehensive income at fair value</i>		-	-	<i>139.563</i>	-	-	-	-	-	<i>139.563</i>
Total comprehensive income		-	-	139.563	-	-	-	21.988.776	21.988.776	22.128.339
Dividend payment		-	-	-	-	-	(4.100.000)	-	-	(4.100.000)
Capital increase	12	22.000.000	-	-	-	(590.058)	(21.409.942)	-	-	-
Balances as of 30 June 2018		104.000.000	-	2.063.581	(805.853)	15.921.709	6.141.008	21.988.776	21.988.776	149.309.221

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Condensed Statement of Cash Flows****for the Period Ended 30 June 2018**

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

	Notes	Reviewed 1 January- 30 June 2018	Reviewed 1 January- 30 June 2017
A. Cash flows from operating activities		54.323.947	18.776.458
Profit for the period		21.988.776	12.541.962
<u>Adjustments to Reconcile Profit for the Period:</u>			
Adjustments related to depreciation and amortization		566.115	444.838
Adjustments related to provisions		1.798.715	2.301.394
-Adjustments related to provision for doubtful receivable expense	5	18.704	(48.945)
-Adjustments related to provision for retirement pay expense		512.114	407.641
-Adjustments related to provision for unused vacation expense		243.335	1.073.139
-Adjustments related to provision for personnel dividend premium		1.054.940	906.000
-Adjustments related to provision for provision for payables expense		(30.378)	(36.441)
Adjustments related to tax expense/income		5.951.243	2.833.342
-Adjustments related to current tax expense	11	4.586.429	2.825.991
-Adjustments related to deferred tax income/(expense)	11	1.364.814	7.351
Adjustments related to interest income and expenses		10.905.481	(4.777.609)
-Adjustments related to interest income	14	(42.835.226)	(39.096.304)
-Adjustments related to interest expenses	14	53.740.707	34.318.695
Appreciation in investments accounted for using equity method	7	(1.090.810)	(902.065)
Adjustments Related to Fair Value Losses (Gains)		(7.125.204)	-
-Adjustments Related to Fair Value Losses (Gains) of Derivative Financial Instruments		(7.125.204)	-
Changes in working capital			
Adjustments related to increase/decrease in trade receivables		(17.208.105)	(67.590.420)
Adjustments related to increase/decrease in trade payables		(1.591.325)	56.640.832
Increase/decrease in financial investments (short-term financial investments)		(1.802.703)	(1.063.041)
Adjustments related to other increase/decrease in working capital		6.566.357	(10.278.858)
Cash flows from operating activities			
Interests received		44.194.814	34.412.072
Dividends received		225.000	-
Tax (payments)/returns	11	(6.547.307)	(3.974.185)
Personnel premium paid		(1.800.000)	(1.550.000)
Employment termination benefit paid		(256.057)	(148.203)
Unused vacation provision paid		(451.043)	(113.601)

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Condensed Statement of Cash Flows
for the Period Ended 30 June 2018

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

	Notes	Reviewed 1 January- 30 June 2018	Reviewed 1 January- 30 June 2017
B. Cash flows from investing activities		(1.720.521)	(296.265)
Increase/decrease in financial investments (long-term financial investments)		(139.562)	(41.735)
Payments for acquisition of property, plant and equipment	8	(1.056.314)	(212.911)
Payments for acquisition of intangible assets	9	(524.645)	(41.619)
C. Cash flows from financing activities		(112.382.419)	252.168.782
Net proceeds from borrowings		(56.224.148)	286.487.477
Interest paid		(52.058.271)	(34.318.695)
Dividends paid		(4.100.000)	-
Net decrease in cash and cash equivalents before the effect of currency translation differences (A+B+C)		(59.778.993)	270.648.975
D. Effects of currency translation differences on cash and cash equivalents		2.884.248	34.590
Net decrease in cash and cash equivalents (A+B+C+D)		(56.894.745)	270.683.565
E. Cash and cash equivalents at the beginning of the period	3	708.142.622	445.069.459
Cash and cash equivalents at the end of the period (A+B+C+D+E)	3	651.247.877	715.753.024

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements

for the Period Ended 30 June 2018

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

1 Organization 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 engage in brokerage services on securities and legal instruments representing financial value other than securities or documents containing financial obligations of issuer in accordance with capital market activities with its Article of Association and Capital Markets Law number 6362 as amended by Law number 3794.

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, company was classified as "Broad Authorized Intermediary Firm", published in Capital Market Law's 15 October 2015 dated 2015/27 numbered board release and accreditations was cancelled in Turkish Trade Registry Gazette and returned to board.

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:

	30 June 2018	31 December 2017
T. Halkbankası A.Ş.	99,96%	99,96%
Other	0,04%	0,04%
Total	100,00%	100,00%

As at 30 June 2018, the Company has 140 employees (30 June 2017: 150)

Associates:

Halk Portföy Yönetimi A.Ş. is accounted for using the equity method in the attached financial statements. Operations of Halk Portföy Yönetimi A.Ş. are explained below:

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.

Approval of the Financial Statements:

Board of Directors has approved the financial statements and delegated authority for publishing it on 9 August 2018.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements

for the Period Ended 30 June 2018

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

2 Basis of presentation of the financial statements

The preparation of financial statements

The financial statements have been prepared on a historical cost basis except for financial instruments at fair value through profit and loss, derivative financial instruments and available-for-sale financial assets. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The estimates and assumptions of the Company management that are used to apply accounting policies to financial statements are same with the accounting policies used for preparation of financial statements as of 31 December 2017 and for the accounting periods then ended.

Accounting policies applied to interim financial statements are consistent with the financial statements prepared as of 31 December 2017.

The financial statements includes all disclosures and notes that is required to include in accordance with Turkish Financial Reporting Standards at the interim period. For this reason it is required to examine with the Company's financial statements prepared as of 31 December 2017.

Comparative information and reclassification of prior period financial statements

Financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year financial statements, comparative information is reclassified and significant changes are disclosed if necessary. In the current year, the Company has also made some reclassifications in the prior year's financial statements. The nature, reason and the amounts of reclassification are described below:

- In 2017, the Company has presented its leveraged transaction foreign guarantee transactions amounting to TL 6,792,970 under cash and cash equivalents. The Company management has decided to recognize these balances under other receivables from third parties, in the current period.

These reclassifications do not have any effect on the statement of profit or loss.

Functional and reporting currency

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

Foreign currency transactions

Transactions in foreign currencies have been translated into TL at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such transactions are included in profit or loss.

Foreign currency rates used by the Company for 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
US Dollar ("USD")	4,5607	3,7719
Euro	5,3092	4,5155

Segment reporting

There is no operating segment reporting since the Company has not segments that are monitored separately for financial performance by an authorized entity in taking decisions regarding the Company's operations.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements

for the Period Ended 30 June 2018

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

2

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

New and Revised Turkish Accounting 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*

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.

Key requirements of TFRS 9:

- All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments 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 outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes 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. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements

for the Period Ended 30 June 2018

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

2

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

New and Revised Turkish Accounting Standards (cont'd)

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

TFRS 9 Financial Instruments (cont'd)

- 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 an entity 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. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, 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. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

TFRS 9 has not a significant impact on the Company's financial statements as detailed in Note 2.c Significant Accounting Policies.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. TFRS 15 will supersede the current revenue recognition guidance including TAS 18 *Revenue*, TAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under TFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Notes to the Condensed Financial Statements
for the Period Ended 30 June 2018

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

2

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

New and Revised Turkish Accounting 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)

Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by TFRS 15.

Later on *Clarifications to TFRS 15* in relation to the identification of performance obligations, principal versus agent considerations were issued, as well as licensing application guidance.

TFRS 15 does not have a material impact on the Company's financial statements.

Amendments to TFRS 10 and TAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amendments to TFRS 10 and TAS 28 do not have a significant impact on the Company's financial statements.

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 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.

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.

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Notes to the Condensed Financial Statements

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2

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

New and Revised Turkish Accounting Standards (cont'd)

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

TFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration (cont'd)

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 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.

Annual Improvements to TFRS Standards 2014–2016 Cycle

- **TFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of TFRS 1, because they have now served their intended purpose.
- **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.

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

New and Revised Turkish Accounting Standards (cont'd)

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</i> ¹
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2019.

TFRS 16 Leases

TFRS 16 specifies how a TAS reporter will recognise, measure, present and disclose leases and supersedes TAS 17 "Leases". The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with TFRS 16's approach to lessor accounting substantially unchanged from its predecessor, TAS 17.

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.

TFRS Interpretation 23 Uncertainty over Income Tax Treatments

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TAS 12.

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

Effects of the changes in in accounting policies

In this note, effects of the application of TFRS 9 Financial Instruments and TFRS 15 Revenue from Contracts with Customers standards on the Company's financial statements and new accounting policies that are used as of 1 January 2018 as different from the Company's prior periods are explained in this Note.

a) **Effects of the Changes in Accounting Policies on the Financial Statements**

The adjustments are not recognized in the retained earnings as of 1 January 2018 since a significant cumulative effect does not arises after the initial application of the changes in accounting policies.

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2

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

Effects of changes in accounting policies (*cont'd*)

b) TFRS 9 Financial Instruments

Effects on 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.

Classification and Measurement

As of 1 January 2018, the Company management has assessed business models regarding under which categories they will be presented stated in TFRS 9.

Trade and other receivables measured at amortized cost: These are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be measured at amortized cost upon the application of TFRS 9.

All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under TAS 39.

c) Significant accounting policies - TFRS 9 Financial Instruments

Financial Instruments

Financial assets

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 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].

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.

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

Effects of changes in accounting policies (cont'd)

c) Significant accounting policies - TFRS 9 Financial Instruments (cont'd)

Financial Instruments (cont'd)

Financial assets measured at amortised cost

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.

Financial assets measured at fair value through other comprehensive income

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.

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Notes to the Condensed Financial Statements
for the Period Ended 30 June 2018

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

Effects of changes in accounting policies (cont'd)

c) Significant accounting policies - TFRS 9 Financial Instruments (cont'd)

Financial Instruments (cont'd)

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.

Financial assets measured at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Financial assets constituting derivative financial instruments that are not designated as an effective hedging instrument against financial risk are also classified as financial assets at fair value through profit or loss. The related financial assets are presented at their fair values and the gains and losses resulting from the valuation are recognized in the statement of profit or loss.

Impairment

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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements

for the Period Ended 30 June 2018

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

2

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

Effects of changes in accounting policies (*cont'd*)

c) Significant accounting policies - TFRS 9 Financial Instruments (*cont'd*)

Financial Instruments (*cont'd*)

Impairment (*cont'd*)

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.

Financial liabilities

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.

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

2 Basis of presentation of the financial statements (cont’d)

Effects of changes in accounting policies (cont’d)

c) Significant accounting policies - TFRS 9 Financial Instruments (cont’d)

Financial Instruments (cont’d)

Recognition and derecognition of financial assets and liabilities

The Company recognizes a financial asset or a financial when, and only when, the Company becomes party to the contractual provisions of the instrument. The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and the transfer qualifies for derecognition. If a transfer of financial asset does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company will continue to recognise the transferred asset in its entirety and recognise 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. The Company derecognizes a financial liability from its statement of financial position when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires.

Summary of significant accounting policies

The condensed interim financial statements for the period ended 30 June 2018 have been prepared in accordance with TAS 34 standard of TFRS that is for preparation of interim financial statements. In addition, the condensed interim financial statements as of 30 June 2018 have been prepared by applying accounting policies consistent with the accounting policies applied during the preparation of the financial statements for the year ended 31 December 2017. Accordingly, these condensed interim financial statements should be evaluated together with the financial statements for the year ended 31 December 2017.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Condensed Financial Statements****for the Period Ended 30 June 2018**

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

3**Cash and cash equivalents**

Cash and cash equivalents as of 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
Banks	653.517.171	711.505.634
- <i>Time deposit</i>	612.928.689	695.036.566
- <i>Demand deposit</i>	40.588.482	16.469.068
Reverse from reverse repurchase agreements	23.391.910	18.697.374
Cash and cash equivalents represented on statement of financial position	676.909.081	730.203.008
Interest income accruals on cash and cash equivalents	(7.691.204)	(9.020.786)
Customer assets (1)	(17.970.000)	(13.039.600)
Cash and cash equivalents on statement of cash flows	651.247.877	708.142.622

(1) TL 17,970,000 (31 December 2017: TL 13,039,600) of bank deposits consist of the demand deposits assets of the Company which has not turned to an investment as of 30 June 2018.

As of 30 June 2018, TL 612,928,689 of time deposits (31 December 2017: TL 695,036,566) and TL 38,938,043 of demand deposits (31 December 2017: TL 15,999,597) is at T. Halk Bankası A.Ş. the main shareholder of the Company.

As of 30 June 2018, the interest rate applied to reverse repurchase agreements is 18.25% and their maturities are 23 days (31 December 2017: 12.75% with 38 days of maturity).

As of 30 June 2018 and 31 December 2017, the details of time deposits of the Company are as follows:

30 June 2018				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
T. Halk Bankası A.Ş.	15.00% - 18.25%	2 July 2018 - 25 July 2018	TL	212.789.864
T. Halk Bankası A.Ş.	4.50% - 4.60%	6 July 2018 - 2 August 2018	USD	400.138.825
Total				612.928.689
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
Total				695.036.566

As at 30 June 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 Condensed Financial Statements****for the Period Ended 30 June 2018**

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

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

Assets from related parties and liabilities to related parties as of 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018	31 December 2017
Cash and cash equivalents		
T. Halk Bankası A.Ş.	651.866.732	711.036.163
-Time deposit	612.928.689	695.036.566
-Demand deposit	38.938.043	15.999.597
Financial investments		
Halk Sigorta A.Ş.	14.004.100	15.601.845
-Stock shares	14.004.100	15.601.845
Total	665.870.832	726.638.008

	30 June 2018	31 December 2017
Trade receivables from related parties		
T.Halk Bankası A.Ş.	597.150	-
Halk Finansal Kiralama A.Ş.	223.125	-
Halk Portföy Yönetimi A.Ş. Fonları	18.930	27.520
Halk Portföy Yönetimi A.Ş.	10.870	11.011
Halk Sigorta A.Ş.	5.900	-
Halk Hayat ve Emeklilik A.Ş.	481	-
Halk Varlık Kiralama A.Ş.	-	263.220
Halk Hayat ve Emeklilik A.Ş. Fonları	-	3.164
Total	856.456	304.915

	30 June 2018	31 December 2017
Trade payables to related parties		
T. Halk Bankası A.Ş.	3.504	5.691
Bileşim Alternatif Dağıtım Kanalları A.Ş.	2.853	2.784
Halk Sigorta A.Ş.	1.727	758.400
Total	8.084	766.875

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Condensed Financial Statements****for the Period Ended 30 June 2018**

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4

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

Transactions with related parties for the periods ended 30 June 2018 and 30 June 2017 are as follows:

Income from related parties

	1 January – 30 June 2018	1 April – 30 June 2018	1 January – 30 June 2017	1 April – 30 June 2017
<u>T. Halk Bankası A.S.</u>				
Commission income on public offerings brokerage	6.650.000	2.795.000	4.250.000	2.475.000
Interest income on deposits	32.097.125	3.845.199	14.576.910	10.389.079
Consultancy service income	160.000	90.000	170.000	90.000
Reimbursement income on bonds	277.669	277.669	-	-
<u>Halk Emeklilik Fonları</u>				
Brokerage commission income	822.330	268.523	789.222	360.831
<u>Halk Portföy Fonları</u>				
Brokerage commission income	348.903	157.755	718.417	458.875
Commission income on fund distribution	147.816	68.525	-	-
<u>Halk Gayrimenkul Yatırım Ortaklığı A.S.</u>				
Commission income on public offerings brokerage	160.000	-	-	-
Consultancy service income	105.000	105.000	-	-
<u>Halk Finansal Kiralama A.S.</u>				
Commission income on public offerings brokerage	702.500	212.500	300.000	-
<u>Halk Sigorta A.S.</u>				
Consultancy service income	30.000	15.000	30.000	15.000
Brokerage commission income	69	6	1.516	704
<u>Halk Hayat ve Emeklilik A.S.</u>				
Brokerage commission income	69.863	26.274	11.912	2.960
<u>Halk Portföy Yönetimi A.S.</u>				
Service income	58.213	27.969	58.092	28.184
<u>Halk Varlık Kiralama A.S.</u>				
Export brokerage commission income	625.000	625.000	-	-
<u>Bileşim Alternatif Dağıtım Kanalları A.S.</u>				
Brokerage commission income	297	204	-	-
Total	42.254.785	8.514.624	20.906.069	13.820.633

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Condensed Financial Statements****for the Period Ended 30 June 2018**

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

	1 January – 30 June 2018	1 April – 30 June 2018	1 January – 30 June 2017	1 April – 30 June 2017
<u>T. Halk Bankası A.Ş.</u>				
Rent expenses	746.032	374.970	661.798	336.496
Common expense contribution expense	209.419	107.534	310.202	98.051
Commissions of guarantee letter	12.985	6.704	34.148	17.491
Bank charges	24.490	4.121	8.940	6.468
<u>Halk Sigorta A.Ş.</u>				
Personnel expenses (Health/insurance expenses)	414.626	212.619	360.975	178.211
Repurchase agreements interest expense	17.793	14.528	24.946	9.754
<u>Halk Hayat ve Emeklilik A.Ş.</u>				
Common expense contribution expense	17.659	2.830	-	-
Personnel expenses (Death insurance expenses)	19.505	7.444	75.325	58.070
Repurchase agreements interest expense	17.523	6.919	70.726	48.327
<u>Bileşim Alternatif Dağıtım Kanalları A.Ş.</u>				
Service expense	18.516	11.770	11.398	6.680
Repurchase agreements interest expense	4.587	2.801	-	-
Total	1.503.135	752.240	1.558.458	759.548

Benefits provided to key management

The key personnel received remuneration and fees amounting in total TL 1,494,118 for the period ended 30 June 2018 (30 June 2017: TL 1,200,766).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Condensed Financial Statements****for the Period Ended 30 June 2018**

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

5**Trade receivables and payables****Trade receivables**

As of 30 June 2018 and 31 December 2017 trade receivables of the Company are as follow:

	30 June 2018	31 December 2017
Receivables from loan customers ⁽¹⁾	89.065.110	63.626.342
Collaterals given to VIOP	20.967.052	17.357.796
Leveraged trade collaterals	6.518.987	11.818.556
Receivables from customers	721.775	803.370
Collaterals of borrowed securities	372.904	7.431.910
Due from related parties (Note 4)	856.456	304.915
Doubtful trade receivables	171.415	228.235
Provision for doubtful trade receivables	(171.415)	(228.235)
Total	118.502.284	101.342.889

⁽¹⁾ As of 30 June 2018, the average interest rate applied to the loan customers is 23.44% (31 December 2017: 18.63%).

The movement of the provision of doubtful receivables of the Company as of 30 June 2018 and 30 June 2017 is as follow:

	1 January - 30 June 2018	1 January - 30 June 2017
Balance at the beginning of the year	228.235	329.953
Charge for the period	18.704	127.837
Collected in the period	(75.524)	(9.438)
Terminated provisions	-	(176.782)
Balance at the end of the period	171.415	271.570

Trade payables

As of 30 June 2018 and 31 December 2017, trade payables of the Company is as follow:

	30 June 2018	31 December 2017
Leveraged trade collaterals	5.835.984	11.818.556
Collaterals given to VIOP	20.124.967	17.276.120
Payables to customers	25.883.362	21.817.241
Payables to customers from repurchase agreements	23.391.910	18.192.170
Suppliers	1.483.318	1.388.982
Payables to related parties (Note 4)	8.084	766.875
Collaterals received for lent securities	372.904	7.431.910
Total	77.100.529	78.691.854

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Condensed Financial Statements****for the Period Ended 30 June 2018**

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

6**Financial liabilities**

As of 30 June 2018 and 31 December 2017, the detail of the Company's financial borrowings are as follows:

	30 June 2018	31 December 2017
Issued commercial paper	198.703.446	325.559.780
Payables to stock exchange money market	408.131.213	337.499.027
Total	606.834.659	663.058.807

As of 30 June 2017, letter of guarantees amounting to TL 455,000,000 are given as collateral for debts to Stock Exchange Money Market (31 December 2017: TL 375,000,000).

As of 30 June 2018 and 31 December 2017, the Company's financial liabilities are as follows:

30 June 2018			
	Interest rate (%)	Maturity	Amount
Stock Exchange Money Market	15.50% - 19.00%	6 July 2018 - 2 August 2018	408.131.213
Total			408.131.213

31 December 2017			
	Interest rate (%)	Maturity	Amount
Stock Exchange Money Market	11.70% - 14.50%	2 February 2018 - 9 February 2018	337.499.027
Total			337.499.027

As of 30 June 2018 and 31 December 2017, the detail of the Company's issued bond information is as follows:

30 June 2018					
ISIN	Date of Issue	Maturity	Interest rate (%)	Nominal	Amount
TRFHALK71818	6 April 2018	11 July 2018	14,45%	100.000.000	99.618.646
TRFHALK71826	11 April 2018	25 July 2018	14,50%	100.000.000	99.084.800
Total					198.703.446

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
Toplam					325.559.780

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements

for the Period Ended 30 June 2018

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

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Investments valued by equity method

Associates	Share on capital (%)		Main operation area
	30 June 2018	31 December 2017	
Halk Portföy Yönetimi A.Ş. ⁽¹⁾	25.00	25.00	Portfolio management
	30 June 2018	31 December 2017	
Total assets		34.619.320	31.343.968
Total liabilities		(1.709.127)	(1.897.014)
Net assets		32.910.193	29.446.954
Company's share in equity accounted investees		8.227.549	7.361.739
Investments valued by equity method		8.227.549	7.361.739
	1 January – 30 June 2018	1 January – 30 June 2017	
Total income		8.089.275	7.831.146
Profit for the period		4.363.239	3.608.260
Other comprehensive income		-	-
Share of profit/(loss) for the period of equity accounted investees		1.090.810	902.065
Share of profit or loss and other comprehensive income of equity accounted investees		1.090.810	902.065

⁽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 1 TL each. The Company paid TL 6,500,000 in cash for the 25% shares of Halk Portföy Yönetimi A.Ş.

8 Property, plant and equipment

During the six months interim period ended on 30 June 2018, purchase of property, plant and equipment amounting to TL 1,056,314 has been realized (30 June 2017: TL 212,911).

As of 30 June 2018, total insurance on property, plant and equipment is TL 8,616,186 (30 June 2017: TL 5,512,527).

9 Intangible assets

During the six months interim period ended on 30 June 2018, purchase of intangible assets amounting to TL 524,645 has been realized (30 June 2017: TL 41,619).

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

10 Provisions, contingent assets and liabilities**Other short-term provisions**

As at 30 June 2018 and 31 December 2017, provisions for short-term liabilities are as follows:

	30 June 2018	31 December 2017
Lawsuit provisions	730.318	798.211
Expenses payable	11.190	12.428
Common expense contribution share	65.604	84.649
Other expense accruals	70.000	12.202
Total	877.112	907.490

Off balance sheet liabilities

As at 30 June 2018 and 31 December 2017, off balance sheet liabilities are as follows:

Letter of guarantees given

	30 June 2018	31 December 2017
Stock Exchange Money Market Transaction Collaterals (Settlement and Custody Bank)	455.000.000	375.000.000
Istanbul Stock Exchange (ISE)	23.680.000	52.480.000
CMB	1.776	1.776
Other	19.800	150.600
Total	478.701.576	427.632.376

As of 30 June 2018, the Company has guarantees given to İstanbul Stock Exchange Market in order to make transaction on foreign marketable securities market amounting to US Dollars 50,000 and given to liquidity providers amounting to US Dollar 2,000,000 to perform leveraged trade collaterals (31 December 2017: US Dollar 50,000,000 and US Dollar 2,000,000).

Other off balance sheet liabilities

Items held in custody (nominal)	30 June 2018	31 December 2017
Stocks	2.094.530.376	1.749.867.199
Warrants	12.180.932	6.479.377
Other securities	5.179.509.813	5.068.791.522
VIOP agreements (number)	18.534	11.470

As at 30 June 2018, There are VIOP transaction collaterals amounting to TL 20,124,967 held in Settlement and Custody Bank on behalf of customers (31 December 2017: TL 17,276,120).

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

10 Provisions, contingent assets and liabilities (cont'd)

As at 30 June 2018 and 31 December 2017, open position transactions made on behalf of the customers in VIOP are as follows:

	30 June 2018	31 December 2017
Open position transaction amount	68.533.300	39.663.203

Lawsuits

As at 30 June 2018, total risk of lawsuits sued against the Company are amounting to approximately TL 730,318 (31 December 2017: TL 798,211) and TL 730,318 of provision is provided for these lawsuits on the financial statements (31 December 2017: TL 798,211).

11 Tax assets and liabilities

As at 30 June 2018, the corporate tax rate is 22% (31 December 2017: 20%). This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), 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.

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11 Tax assets and liabilities (cont'd)

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 7601 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.

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 30 June 2018 and 31 December 2017:

	1 January – 30 June 2018	1 April – 30 June 2018	1 January – 30 June 2017	1 April – 30 June 2017
Profit before tax	27.940.019	13.170.665	15.375.304	7.870.835
Corporate tax computed with statutory tax rate (22%) (2017: 20%)	6.146.804	2.897.546	3.075.061	1.574.167
Non-deductible expenses	20.494	12.180	11.911	1.782
Non-taxable income	(247.930)	(243.900)	(253.630)	(164.892)
Effect of temporary difference of future corporate tax	31.875	(25.468)	-	-
Tax expense	5.951.243	2.640.358	2.833.342	1.411.057

Details of tax expense for the years ended 30 June 2018 and 30 June 2017 are as follows:

	1 January – 30 June 2018	1 April – 30 June 2018	1 January – 30 June 2017	1 April – 30 June 2017
Current tax expense	(4.586.429)	1.137.508	(2.825.991)	(1.253.120)
Deferred tax expense/(income)	(1.364.814)	(3.777.866)	(7.351)	(157.937)
Tax expense	(5.951.243)	(2.640.358)	(2.833.342)	(1.411.057)

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11 Tax assets and liabilities (cont'd)

As at 30 June 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.

	30 June 2018	31 December 2017
Transfer from previous period	2.841.441	963.198
Current income tax expense	(4.586.429)	(8.224.526)
Prepaid taxes	6.547.307	10.102.769
Current tax liabilities / assets	4.802.319	2.841.441

Deferred tax

As at 30 June 2018 and 31 December 2017, details of net deferred tax assets and liabilities are as follows:

	30 June 2018	31 December 2017
Deferred tax assets		
Provision for employment termination benefits	351.113	299.902
Unused vacation provision	155.499	201.195
Provision for personnel premium	232.087	396.000
Allowance for doubtful receivables	40.469	50.212
Lawsuit provision	146.064	159.642
Total deferred tax assets	925.232	1.106.951
Deferred tax liabilities		
Financial investments	(1.876.066)	(2.350.745)
Effect of depreciation and amortisation method difference between tax regulations and financial reporting on tangible and intangible assets	(112.121)	(21.891)
Derivative instruments	(1.694.960)	(127.416)
Total deferred tax liability	(3.683.147)	(2.500.052)
Net deferred tax asset / (liability)	(2.757.915)	(1.393.101)

12 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.

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

13**Revenue and cost of sales**

Income from operating activities for the years ended 30 June 2018 and 30 June 2017 is as follows:

	1 January – 30 June 2018	1 April – 30 June 2018	1 January – 30 June 2017	1 April – 30 June 2017
Sales revenue				
Government bond sales	43.375.659	25.956.934	54.142.661	21.650.050
Government bond repo sales	1.500.000	1.500.000	-	-
Stock sales	11.881.923	237.866	6.085.289	1.322.468
Private sector bond sales	557.258.904	390.712.112	40.733.531	32.682.250
Bank bond sales	326.562	298.547	10.827.736	2.715.004
Sukuk rent certificates	83.891.049	-	-	-
Covered warrant sales	9.064	-	-	-
Eurobond sales	7.169.819	7.169.819	3.208.844	2.487.499
Commercial bond sales	764.738.666	340.621.611	26.269.716	12.947.416
Treasury bill sales	-	-	2.000.585	-
Investment bond sales	-	-	10.522.982	10.522.982
Total sales income	1.470.151.646	766.496.889	153.791.344	84.327.669
Service income				
Stock commission income	22.200.072	10.067.281	13.942.433	7.291.226
Interest income from customers	6.980.551	3.973.132	4.359.441	2.607.840
Public offering intermediary income	9.099.864	3.996.639	4.977.896	2.671.650
Fixed income securities commissions	94.615	47.187	25.104	-
Repo-reverse repo commissions	497.344	182.804	860.392	441.917
Settlement and Custody bank money market commission	132.837	94.282	89.406	42.861
VIOP commission income	2.132.135	1.292.216	930.565	439.948
Securities Lending Market and other commission income	133.117	45.735	54.011	8.759
Leveraged trade collaterals	1.942.913	980.767	3.425.898	922.601
Funds management commission income	157.081	73.045	186.702	100.565
Consulting and reporting services income	463.700	157.700	70.000	30.000
Total service income	43.834.229	20.910.788	28.921.848	14.557.367
Discounts from service income				
Branch and customer commission income	(17.010)	(286)	(7.842)	(450)
Total discounts from service income	(17.010)	(286)	(7.842)	(450)
Total sales income	1.513.968.865	787.407.391	182.705.350	98.884.586
Cost of sales				
Government bond purchases	43.236.694	25.936.071	53.917.428	21.562.019
Government bond repo purchases	1.500.000	1.500.000	-	-
Stock purchases	11.780.663	239.062	5.764.529	1.207.120
Private sector bond purchases	557.207.857	390.683.708	40.728.252	32.682.250
Bank bond purchases	326.562	298.547	10.749.738	2.700.470
Sukuk rent certificates	83.891.047	-	-	-
Treasury bill purchases	-	-	2.000.000	-
Eurobond purchases	7.155.211	7.155.211	3.198.946	2.478.687
Commercial bond purchases	762.217.117	338.836.508	26.198.084	12.930.981
Covered warrant purchases	9.198	9.198	-	-
Investment bond purchases	-	-	9.999.973	9.999.973
Total cost of sales	1.467.324.349	764.658.305	152.556.950	83.561.500
Gross profit	46.644.516	22.749.086	30.148.400	15.323.086

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14**Finance income and expenses**

For the periods ended 30 June 2018 and 30 June 2017, finance income and expenses are as follows:

<i>Finance income</i>	1 January – 30 June 2018	1 April – 30 June 2018	1 January – 30 June 2017	1 April – 30 June 2017
Interest income on time deposits	32.097.125	12.865.985	24.816.546	13.499.571
Stock rediscount income	-	-	126.491	126.491
Interest income on reverse repurchase agreements	9.197.525	4.497.371	6.733.807	277.400
Derivative income	15.434.159	9.877.427	3.815.352	117.968
VIOP guarantees interest income	201.982	155.743	99.638	85.870
SEMM interest income	53.140	53.140	365.805	101.037
Foreign exchange gains	5.526.292	3.958.803	2.431.107	2.396.040
Fixed yield security redemption, coupon and rediscount income	1.285.454	620.261	612.332	176.289
Other	107.955	17.441	95.226	46.044
Total	63.903.632	32.046.171	39.096.304	16.826.710

<i>Finance expenses</i>	1 January – 30 June 2018	1 April – 30 June 2018	1 January – 30 June 2017	1 April – 30 June 2017
SEMM interest expense	29.328.279	15.576.181	12.962.496	4.356.206
Interest expense on repurchase agreements	8.396.624	4.390.073	6.114.210	3.424.358
Discount expense on stock shares	1.802.477	153.026	-	-
Interest expense on financing bond	16.015.804	6.791.977	12.104.327	5.489.164
Foreign exchange loss	3.943.944	2.807.362	2.427.015	838.422
Letter of guarantee commissions	1.094.790	539.556	710.563	458.143
Other	67	29	84	32
Total	60.581.985	30.258.204	34.318.695	14.566.325

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15 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.

15.1. 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.

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15 Nature and level of risks related to financial instruments (cont'd)

15.1. Credit risk (cont'd)

Details of credit risk by class of financial instruments:

30 June 2018	Receivables						
	Trade receivables		Other receivables		Cash at banks ⁽¹⁾	Derivative Instruments	Financial investments ⁽²⁾
	Related party	Other	Other	Other			
Maximum credit risk exposed as of balance sheet date (A+B+C+D)	856.456	117.817.243	16.784.868	676.909.081	7.704.365	10.250.917	
- Secured portion of the maximum credit risk by guarantees etc.	-	-	-	-	-	-	
A. Net book value of financial assets that are neither past due nor impaired	856.456	117.645.828	16.784.868	676.909.081	7.704.365	10.250.917	
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)	-	171.415	-	-	-	-	
- Impairment (-)	-	171.415	-	-	-	-	
- 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 23,391,910 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						
	Trade receivables		Other receivables		Cash at banks ⁽¹⁾	Derivative Instruments	Financial investments ⁽²⁾
	Related party	Other	Other	Other			
Maximum credit risk exposed as of balance sheet date (A+B+C+D)	304.915	101.266.209	3.856.939	736.995.978	579.161	6.768.754	
- 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.

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15 Nature and level of risks related to financial instruments (cont'd)

15.1. Credit risk (cont'd)

The aging of receivables past-due but not impaired is detailed as follows:

30 June 2018	Receivables			Cash at banks	Financial investments
	Trade receivables		Other		
	Related party	Other	Other		
Past due up to 30 days	-	-	-	-	-
Past due 1 - 3 months	-	-	-	-	-
Past due 3 - 12 months	-	-	-	-	-
Past due 1 - 5 year	-	-	-	-	-
Past due over 5 years	-	171.415	-	-	-
Secured portion of receivables by guarantees, etc.	-	171.415	-	-	-

31 December 2017	Receivables			Cash at banks	Financial investments
	Trade receivables		Other		
	Related party	Other	Other		
Past due up to 30 days	-	-	-	-	-
Past due 1 - 3 months	-	-	-	-	-
Past due 3 - 12 months	-	-	-	-	-
Past due 1 - 5 year	-	-	-	-	-
Past due over 5 years	-	228.235	-	-	-
Secured portion of receivables by guarantees, etc.	-	228.235	-	-	-

15.2. Liquidity risk

As of 30 June 2018, the residual contractual maturities of the Company's financial liabilities are as follows:

Contractual maturity	Carrying value	Total contractual cash outflows	3 months or less			
			3-12 months	1-5 years	More than 5 years	
Non-derivative financial liabilities	683.935.188	688.094.401	688.094.401	-	-	-
Trade payables	77.100.529	77.100.529	77.100.529	-	-	-
Financial liabilities	606.834.659	610.993.872	610.993.872	-	-	-
Derivative financial liabilities	7.704.365	11.354.993	-	-	-	-
Derivative cash inflows	7.704.365	11.354.993	-	-	-	-

As of 30 December 2017, the residual contractual maturities of the Company's financial liabilities are as follows:

Contractual maturity	Carrying value	Total contractual cash outflows	3 months or less			
			3-12 months	1-5 years	More than 5 years	
Non-derivative financial liabilities	741.750.661	743.249.688	417.689.908	325.559.780	-	-
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	-	-
Derivative financial liabilities	579.161	1.240.000	-	-	-	-
Derivative cash inflows	579.161	1.240.000	-	-	-	-

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15 Nature and level of risks related to financial instruments (cont'd)

15.2. Liquidity risk (cont'd)

As at 30 June 2018 and 31 December 2017, the liquidity requirement of the Company in accordance with Communiqué 34 is as follows:

	30 June 2018	31 December 2017
Current assets (A)	819.082.857	861.064.112
Current liabilities (B)	716.578.701	751.692.966
Current assets / Current liabilities (A/B)	1,14	1,15

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

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15 Nature and level of risks related to financial instruments (cont'd)

15.3. 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 30 June 2018 and 31 December 2017, the Company's foreign currency position is as follows:

	30 June 2018				
	TL Equivalent (Functional currency)	US Dollar	Euro	JPY	Other
1. Trade receivables	-	-	-	-	-
2a. Monetary financial assets (Including cash, bank deposit accounts)	420.403.078	92.175.612	3.346	-	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	-	-	-	-	-
4. Current assets (1+2+3)	420.403.078	92.175.612	3.346	-	-
5. Trade receivables	21.355.634	4.676.850	3.346	-	2.372
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	21.355.634	4.676.850	3.346	-	2.372
9. Total assets (4+8)	441.758.712	96.852.462	6.692	-	2.372
10. Payable	9.875.850	1.848.514	-	350.533	1.995
11. Financial liabilities	-	-	-	-	-
12a. Monetary other liabilities	-	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	9.875.850	1.848.514	-	350.533	1.995
14. Payable	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-	-
18. Total liabilities (13+17)	9.875.850	1.848.514	-	350.533	1.995
19. Off balance sheet derivative instruments net asset/(liability) position (19a-19b)	(399.072.392)	(87.502.443)	-	-	-
19a. Amount of active foreign derivative currency off-balance sheet	-	-	-	-	-
19b. Amount of passive foreign derivative currency off-balance	399.072.392	87.502.443	-	-	-
20. Net foreign currency assets/liabilities position (9-18+19)	32.810.470	7.501.505	6.692	(350.533)	377
21. Monetary items net foreign currency assets / liabilities (tfrs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)	431.882.862	95.003.948	6.692	(350.533)	377
22. Fair value of financial instruments used for currency hedge	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-

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

15 Nature and level of risks related to financial instruments (cont'd)

15.3. 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	-	-	-	-	-
4. Current assets (1+2+3)	31.655.365	8.385.227	5.965	-	-
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	-	-	-	-	-
8. Non-current assets (5+6+7)	2.200.606	551.265	5.965	1.665.532	44.920
9. Total assets (4+8)	33.855.971	8.936.492	11.930	1.665.532	44.920
10. Payable	7.151.609	1.896.023	-	-	1.236
11. Financial liabilities	-	-	-	-	-
12a. Monetary other liabilities	-	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-	-
13. Current liabilities (10+11+12)	7.151.609	1.896.023	-	-	1.236
14. Payable	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Monetary other liabilities	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-	-
18. Total liabilities (13+17)	7.151.609	1.896.023	-	-	1.236
19. Off balance sheet derivative instruments net asset/(liability) position (19a-19b)	(29.583.528)	(7.843.137)	-	-	-
19a. Amount of active foreign derivative currency off-balance sheet	-	-	-	-	-
19b. Amount of passive foreign derivative currency off-balance	29.583.528	7.843.137	-	-	-
20. Net foreign currency assets/liabilities position (9-18+19)	(2.879.166)	(802.668)	11.930	1.665.532	43.684
21. Monetary items net foreign currency assets / liabilities (tfrs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)	26.704.362	7.040.469	11.930	1.665.532	43.684
22. Fair value of financial instruments used for currency hedge	-	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-	-

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15 Nature and level of risks related to financial instruments (cont'd)**15.3. 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.

30 June 2018		
	Foreign currency increase against TL	Foreign currency decrease against TL
<u>10% change in US Dollar against TL</u>		
1- US Dollar net asset/liability	43.328.451	(43.328.451)
2- Hedged risk (US Dollar) (-)	-	-
3- US Dollar net effect (1+2)	43.328.451	(43.328.451)
<u>10% change in Euro against TL</u>		
4- Euro net asset/liability	3.553	(3.553)
5- Hedged risk (Euro) (-)	-	-
6- Euro net effect (4+5)	3.553	(3.553)
<u>10% change in JPY against TL</u>		
7- JPY net asset/liability	(144.129)	144.129
8- Hedged risk (JPY) (-)	-	-
9- JPY net effect (7+8)	(144.129)	144.129
<u>10% change in other currencies against TL</u>		
10- Other net asset/liability	411	(411)
11- Hedged risk (Other) (-)	-	-
12- Other net effect (10+11)	411	(411)
Total (3+6+9+12)	43.188.286	(43.188.286)

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15 Nature and level of risks related to financial instruments (cont'd)

15.3. Market risk (cont'd)

Sensitivity to foreign currency (cont'd)

31 December 2017		
	Foreign currency increase against TL	Foreign currency decrease against TL
<u>10% change in US Dollar against TL</u>		
1- US Dollar net asset/liability	2.655.595	(2.655.595)
2- Hedged risk (US Dollar) (-)	-	-
3- US Dollar net effect (1+2)	2.655.595	(2.655.595)
<u>10% change in Euro against TL</u>		
4- Euro net asset/liability	5.426	(5.426)
5- Hedged risk (Euro) (-)	-	-
6- Euro net effect (4+5)	5.426	(5.426)
<u>10% change in JPY against TL</u>		
7- JPY net asset/liability	5.612	(5.612)
8- Hedged risk (JPY) (-)	-	-
9- JPY net effect (7+8)	5.612	(5.612)
<u>10% change in other currencies against TL</u>		
10- Other net asset/liability	3.803	(3.803)
11- Hedged risk (Other) (-)	-	-
12- Other net effect (10+11)	3.803	(3.803)
Total (3+6+9+12)	2.670.436	(2.670.436)

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

15 Nature and level of risks related to financial instruments (cont'd)**15.3. 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 30 June 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:

30 June 2018	Profit / (loss)		Equity(*)	
	20% increase	20% decrease	20% increase	20% decrease
<i>Financial assets at fair value through profit or loss</i>				
- Stocks	2.855.406	(2.855.406)	2.855.406	2.855.406
<i>Financial assets at fair value through other comprehensive income</i>				
- Stocks	-	-	49.214	(49.214)
Total	2.855.406	(2.855.406)	2.904.620	2.806.192

⁽¹⁾ Profit / (loss) change is included.

31 December 2017	Profit / (loss)		Equity(*)	
	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>Available for sale financial assets</i>				
- Stocks	-	-	57.238	(57.238)
Total	3.191.298	(3.191.298)	3.248.536	3.134.060

⁽¹⁾ Profit / (loss) change is included.

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15 Nature and level of risks related to financial instruments (cont'd)

15.3. 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.

		30 June 2018	31 December 2017
Financial instruments with fixed interest rate			
	Financial assets at fair value through profit or loss	946.250	1.861.216
Financial assets	Time deposits	612.928.689	695.036.566
	Receivables from reverse repurchase agreements	23.391.910	18.697.374
Trade receivables	Receivables from loan customers	89.065.110	63.626.342
Financial liabilities	Financial liabilities	606.834.659	663.058.807
Financial instruments with floating interest interest rate			
Financial assets	Financial assets at fair value through profit or loss	9.304.667	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 year ended as at 30 June 2017 and 30 June 2016 is detailed in the table below. The sensitivity analysis is applied on the same basis also in 2017.

	Profit / (loss)		Equity		
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease	
30 June 2018					
Financial investments	(76.137)	76.137	(76.137)	76.137	
31 December 2017					
Financial investments	(49.075)	49.075	(49.075)	49.075	
		30 June 2018		31 December 2017	
		Assets	Liabilities	Assets	Liabilities
Swap transactions	7.704.365	-	579.161	-	
Total	7.704.365	-	579.161	-	

The Company utilizes currency derivatives to hedge significant future transactions and cash flows. The Company is party to a variety of foreign currency forward contracts, swaps and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the Company's principal markets.

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15 Nature and level of risks related to financial instruments (cont'd)

15.4. Capital management

As of 30 June 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 119,176,681 as of 30 June 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 30 June 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.

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15 Nature and level of risks related to financial instruments (cont'd)

15.4. Capital management (cont'd)

As at 30 June 2018 and 31 December 2017, the risk provision amounts calculated in accordance with the "Communiqué: V, No: 34" are as follows:

	30 June 2018	31 December 2017
Position risk	34.222.118	31.328.469
Counter party risk	53.125.860	48.218.980
Exchange rate risk	-	96.190
Total risk provision	87.347.978	79.643.639

16 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

"IFRS 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.

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Nature and level of risks related to financial instruments (cont'd)

Fair value disclosures (cont'd)

Classification relevant to fair value information (cont'd)

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

30 June 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short term)	24.527.947	-	-	24.527.947
Financial investments (long term) (*)	246.070	3.090.253	-	3.336.323
Derivative instruments	-	7.704.365	-	7.704.365
31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short term)	22.725.244	-	-	22.725.244
Financial investments (long term) (*)	286.190	2.914.571	-	3.200.761
Derivative instruments	-	579.161	-	579.161

(*) Associate balance amounting to TL 12,500 that is recognized at cost value is not included.

Fair values of Halk Hayat ve Emeklilik A.Ş. and Halk Faktoring A.Ş. which are classified as Level 2 are 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 30 June 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.

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17 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 one of the main shareholders 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.

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.

18 Events after the reporting period

None.