

**HALK YATIRIM MENKUL DEĞERLER  
ANONİM ŞİRKETİ**

FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2017  
TOGETHER WITH INDEPENDENT  
AUDITOR'S REPORT

*(Convenience Translation of Independent  
Auditor's Report Originally Issued in Turkish)*

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

## INDEPENDENT AUDITOR'S REPORT

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

### A) Independent Auditing of Financial Statements

#### 1) Opinion

We have audited the financial statements of the Halk Yatırım Menkul Değerler A.Ş. ("the Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards (TAS).

#### 2) Basis for Opinion

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

#### 3) Emphasis of Matter

As stated in Note 26, manager who is currently be in a position of main partner of Türkiye Halk Bankası A.Ş., in the Unites States (US), first trial phase of the case it has been decided that he was guilty for some of the crimes attributed to him by court jury. The main joint bank is not a party or directly involved to the case. There is no administrative or financial decision taken by the court on the main joint bank. A decision taken by US authorities that may negatively affect the financial position of the parent joint bank and its effect on the company remains uncertain. The management of the main joint bank is specified that there is no possible sanctions or measures have been implemented against the main joint bank at this stage. This matter does not affect the opinion given above.

#### 4) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p>Revenue Recognition</p> <p>The Company's revenue amounting to TL 524,411,045 is recognized in the statement of profit or loss and other comprehensive income under the name of "revenue" for the period between 1 January-31 December 2017. Details for the related income is disclosed in Note 2.5.1 and 16.</p> <p>The revenue is a material item in profit or loss and other comprehensive income and it consists of various streams such as brokerage fees, commission income on public offer, interest income on credits, gain on sale of marketable securities and income earned from advisory services income; therefore revenue is considered as a key audit matter.</p>	<p>Within the scope of audit procedures that we performed to revenue recognition as part of the audit procedures, we obtained an understanding on the company's revenue process. We tested the design and implementation of the internal controls that the Company applies to recognize its revenue in accordance with the relevant accounting standards. Total transaction volume in the calculation of brokerage fees is confirmed through independent resources. An analytical test is performed on brokerage commission income. In addition to that, we performed tests to confirm that the transaction amount is accounted appropriately by comparing the detail of the transactions with its supporting documents for the samples selected from the transactions carried out during the accounting period.</p>

#### 5) Other Matters

The unconsolidated financial statements of the Company as at and for the year ended 31 December 2016 were audited by another auditor who expressed an unqualified opinion on 13 February 2017.

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

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

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

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

## 7) Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January-31 December 2017 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

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

The engagement partner on the audit resulting in this independent auditor's report is Mjde Aslan.

**DRT BAĐIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MŞAVİRLİK A.Ő.**  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Mjde Aslan  
Partner

İstanbul, 14 February 2018

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**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Statement of Financial Position as at 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

		Audited 31 December 2017	As Restated Audited 31 December 2016
	Notes		
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	736,995,978	457,665,632
Financial investments	4	22,725,244	29,531,553
Trade receivables	5	101,342,889	73,583,826
- Trade receivables from related parties	23	304,915	24,037
- Trade receivables from third parties		101,037,974	73,559,789
Other receivables	8	3,856,939	504,183
Derivative financial instruments	24	579,161	-
Prepaid expenses	10	1,526,068	822,694
Current tax assets	21	2,841,441	963,198
<b>TOTAL CURRENT ASSETS</b>		<b>869,867,720</b>	<b>563,071,086</b>
<b>Non-current assets</b>			
Financial investments	4	3,209,261	2,836,656
Investment in equity accounted investees	9	7,361,739	5,064,718
Tangible assets	11	2,091,526	1,886,364
Intangible assets	12	304,828	274,210
Other long-term assets	7	1,638,281	826,810
<b>TOTAL NON-CURRENT ASSETS</b>		<b>14,605,635</b>	<b>10,888,758</b>
<b>TOTAL ASSETS</b>		<b>884,473,355</b>	<b>573,959,844</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities	6	663,058,807	414,759,466
Trade payables	5	78,691,854	40,749,301
- Trade payables to related parties	23	766,875	3,519
- Other trade payables		77,924,979	40,745,782
Other payables	8	4,927,193	1,603,171
Short term provisions		3,622,010	3,756,017
- Employee benefits	14	2,714,520	2,413,210
- Provisions	13	907,490	1,342,807
<b>TOTAL CURRENT LIABILITIES</b>		<b>750,299,864</b>	<b>460,867,955</b>
<b>Non-current liabilities</b>			
Long term provisions		1,499,508	1,073,255
- Employee benefits	14	1,499,508	1,073,255
Deferred tax liabilities	21	1,393,101	1,510,905
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>2,892,609</b>	<b>2,584,160</b>
<b>EQUITY</b>			
Share capital	15	82,000,000	82,000,000
Restricted reserves	15	12,135,929	10,610,120
Accumulated other comprehensive income that are or may be reclassified to profit or loss		1,924,018	1,551,413
Accumulated other comprehensive income that will never be reclassified to profit or loss		(805,853)	(805,853)
Accumulated gains	15	3,462,787	675,741
Profit for the year		32,564,001	16,476,308
<b>TOTAL EQUITY</b>		<b>131,280,882</b>	<b>110,507,729</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>884,473,355</b>	<b>573,959,844</b>

The accompanying notes are integral part of these financial statements.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

	Notes	Audited 1 January - 31 December 2017	As Restated Audited 1 January - 31 December 2016
<b>PROFIT OR LOSS</b>			
Revenue	16	524,258,331	294,482,337
Cost of sales (-)	16	(454,175,401)	(254,477,832)
<b>GROSS PROFIT</b>		<b>70,082,930</b>	<b>40,004,505</b>
General administrative expenses	17	(31,271,101)	(27,664,002)
Marketing expenses	17	(9,548,126)	(7,595,994)
Other income from operating activities	19	567,843	2,876,711
Other expense from operating activities	19	(366,335)	(439,689)
<b>OPERATING PROFIT</b>		<b>29,465,211</b>	<b>7,181,531</b>
Share of profit/(expense) of equity accounted investees	9	2,434,520	1,872,873
<b>OPERATING PROFIT BEFORE FINANCE EXPENSES</b>		<b>31,899,731</b>	<b>9,054,404</b>
Finance income	20	96,923,794	40,763,287
Finance expenses	20	(88,152,802)	(29,891,305)
<b>PROFIT BEFORE TAX</b>		<b>40,670,723</b>	<b>19,926,386</b>
Tax expense/income			
- Current income tax expense	21	(8,224,526)	(3,627,602)
- Deferred tax income/(expense)	21	117,804	177,524
<b>PROFIT FOR THE YEAR</b>		<b>32,564,001</b>	<b>16,476,308</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>372,605</b>	<b>1,123,317</b>
<b>Items that are or may be reclassified to profit or loss</b>			
Change in fair value of available for sale financial assets		372,605	1,399,221
Tax income related with other comprehensive income		-	(59,093)
<b>Items that will never be reclassified to profit or loss</b>			
Actuarial losses on defined benefit plans		-	(271,014)
Deferred tax benefit charge for items never be reclassified to profit or loss		-	54,203
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>32,936,606</b>	<b>17,599,625</b>

The accompanying notes are integral part of these financial statements.



**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
**Statement of Changes in Equity For the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

			Items that are or may be reclassified to profit or loss	Items that will not be reclassified to profit or loss		Retained Earnings			
	Notes	Paid-in capital	Change in fair value of available for sale financial assets	Other gains/(losses)	Restricted reserves	Accumulated gains/(losses)	Profit/ (expense) for the year	Equity	
<b>Balance at 1 January 2016</b>	15	<b>82.000.000</b>	<b>211.285</b>	<b>(589.042)</b>	<b>9.324.969</b>	<b>(1.691.360)</b>	<b>13.591.545</b>	<b>102.847.397</b>	
Transfers		-	-	-	1.285.151	12.306.394	#####	-	
Profit for the year		-	-	-	-	-	16.476.308	16.476.308	
Other comprehensive income		-	1.340.128	(216.811)	-	-	-	1.123.317	
- Gains on remeasurements on defined benefit plans, (net, assets, (net))	15	-	-	(216.811)	-	-	-	(216.811)	
		-	1.340.128	-	-	-	-	1.340.128	
<b>Total comprehensive income</b>		-	<b>1.340.128</b>	<b>(216.811)</b>	-	-	<b>16.476.308</b>	<b>17.599.625</b>	
Dividend payment		-	-	-	-	(9.939.293)	-	(9.939.293)	
<b>Balance at 31 December 2016</b>		<b>82.000.000</b>	<b>1.551.413</b>	<b>(805.853)</b>	<b>10.610.120</b>	<b>675.741</b>	<b>16.476.308</b>	<b>110.507.729</b>	
<b>Balance at 1 January 2017</b>	15	<b>82.000.000</b>	<b>1.551.413</b>	<b>(805.853)</b>	<b>10.610.120</b>	<b>675.741</b>	<b>16.476.308</b>	<b>110.507.729</b>	
Transfers		-	-	-	1.525.809	14.950.499	(16.476.308)	-	
Profit for the year		-	-	-	-	-	32.564.001	32.564.001	
Other comprehensive income		-	372.605	-	-	-	-	372.605	
- Change in fair value of available for sale financial assets, (net))		-	372.605	-	-	-	-	372.605	
<b>Total comprehensive income</b>		-	<b>372.605</b>	-	-	-	<b>32.564.001</b>	<b>32.936.606</b>	
Dividend payment		-	-	-	-	(12.163.453)	-	#####	
<b>Balance at 31 December 2017</b>		<b>82.000.000</b>	<b>1.924.018</b>	<b>(805.853)</b>	<b>12.135.929</b>	<b>3.462.787</b>	<b>32.564.001</b>	<b>131.280.882</b>	

The accompanying notes are the integral part of these financial statements.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Statement of Cash Flows For the Year Ended 31 December 2017**

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

		<b>Audited</b>	<b>As Restated</b>
		<b>1 January-</b>	<b>1 January-</b>
	<b>Notes</b>	<b>1 December 2017</b>	<b>1 December 2016</b>
<b>A. Cash flows from operating activities</b>		<b>117.350.106</b>	<b>31.681.913</b>
<b>Profit for the year</b>		<b>32.564.001</b>	<b>16.476.308</b>
<b><u>Adjustment for:</u></b>			
Adjustments regarding depreciation and amortisation	17	891.042	830.297
Adjustments related to provisions		2.642.814	2.432.946
- Adjustments for provision expense for doubtful receivables	5	(84.842)	127.574
- Adjustments for provision expense for severance pay liability		1.159.362	242.235
- Adjustments for provision for unused vacations	14	203.611	208.237
- Adjustments for provision personnel dividend premium	14	1.800.000	1.550.000
- Adjustments for other provisions		(435.317)	304.900
Adjustments related to tax expense		8.106.722	3.450.078
- Adjustments for income tax expense	21	8.224.526	3.627.602
- Adjustment for deferred tax expense/(income)	21	(117.804)	(177.524)
Adjustments related to interest expense/(income)		651.829	(14.335.963)
- Adjustment related to interest income		(78.058.667)	(42.005.171)
- Adjustment related to interest expense		78.710.496	27.669.208
Investment in equity accounted investees	9	(2.434.520)	(1.872.873)
Adjustment related to fair value gains (losses)		(579.161)	-
- Adjustments related to fair value gains (losses) of derivative financial instruments		(579.161)	-
Adjustment related to profit and loss reconciliation		(56.413)	(249.608)
- Dividend income from associates	19	(56.413)	(249.608)
<b>Changes in working capital</b>			
Adjustments related to change in trade receivables		(27.676.630)	(21.380.381)
Adjustments related to change in trade payables		37.942.553	(7.576.799)
Adjustments related to change in financial investments (short term financial assets)		6.806.309	20.604.567
Other adjustments to working capital		(2.900.636)	4.256.866
<b>Cash flow from operation activities</b>			
Interest received		73.736.463	35.500.321
Dividends received	19	193.912	249.608
Taxes (paid)/returns	21	(10.102.769)	(4.794.657)
Bonus premium payments	14	(1.550.000)	(1.550.000)
Employee termination benefit payments	14	(733.109)	(281.166)
Vacation pay liability payments	14	(152.301)	(77.631)

The accompanying notes are integral part of these financial statements.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
**Statement of Cash Flows For the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

		<b>Audited</b>	<b>As Restated</b>
		<b>1 January-</b>	<b>1 January-</b>
	<b>Notes</b>	<b>1 December 2017</b>	<b>1 December 2016</b>
<b>B. Cash flows from investing activities</b>		<b>(1.499.427)</b>	<b>(2.032.581)</b>
Adjustments related to change in financial investments (long term financial assets)		(372.605)	(1.116.033)
Cash flows from acquisitions of tangible assets	11	(885.599)	(791.487)
Cash flows from acquisitions of intangible assets	12	(241.223)	(125.061)
<b>C. Cash flows from financing activities</b>		<b>153.700.974</b>	<b>356.561.556</b>
Proceeds from borrowings		248.299.341	397.012.442
Interest paid		(82.434.914)	(30.511.593)
Dividends paid	15	(12.163.453)	(9.939.293)
<b>Net cash flows before effect of change in exchange rates on cash and cash equivalents (A+B+C)</b>		<b>269.551.653</b>	<b>386.210.888</b>
<b>D. Effect of change in exchange rates on cash and cash equivalents</b>		<b>314.480</b>	<b>131.965</b>
<b>Net change in cash and cash equivalents</b>		<b>269.866.133</b>	<b>386.342.853</b>
<b>E. Cash and cash equivalents (A+B+C+D)</b>	<b>3</b>	<b>445.069.459</b>	<b>58.726.606</b>
<b>Cash and cash equivalents at the end of the period (A+B+C+D+E)</b>	<b>3</b>	<b>714.935.592</b>	<b>445.069.459</b>

The accompanying notes are integral part of these financial statements.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### 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 2016: 9). Each branches of T. Halk Bankası AŞ., 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:

	31 December 2017	31 December 2016
T. Halkbankası A.Ş.	99,96%	99,96%
Other	0,04%	0,04%
<b>Total</b>	<b>100,00%</b>	<b>100,00%</b>

As at 31 December 2017, the Company has 135 employees (31 December 2016: 155).

#### Associates:

Halk Portföy Yönetimi AŞ is accounted for using the equity method in the attached financial statements. Operations of Halk Portföy Yönetimi AŞ 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 AŞ 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 14 February 2018.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

## 2 Basis of Presentation of Financial Statements

### 2.1. Basis of Presentation

#### Statement of Compliance in TAS

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

The financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013 about the “illustrations of financial statements and application guidance”.

The financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

#### Currency Used

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

#### Preparation of Financial Statements in Hyperinflationary Economies

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 “ Financial reporting in Hyperinflationary Economies” (“TAS 29”) was not applied.

#### 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 consolidated financial statements. The nature, reason and the amounts of reclassification are described below:

- The Company made TL amount of 1,073,121,301 Takasbank Money Market transactions made on behalf customers to trade payables to related parties and trade receivables from related parties in the financial statements in 2016. Since the company’s management decided to present net-off balances in the current period, balances from previous period are also presented in net-off amounts for the purpose of complying with comparative financial statements.
- The Company’s asset held in demand deposits where not been directed by customers for the investing in the amount of TL 7,900,000 in its own deposits has been recognized as positive value in the statement of cash flows in 2016. As noted in Note 2.3, value of related amount is corrected as negative value and shown in cash flow table in the current year.

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

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2017

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

## 2. Basis of Presentation of Financial Statements (continued)

### 2.1. Basis of Presentation (continued)

#### Comparative Information and Reclassification of Prior Period Financial Statements (continued)

If any significant accounting errors are found out, changes are applied retrospectively and prior year's financial statements are restated. The Company has restated its financial statements in the current year as described in detail below.

	<b>Reported</b>	<b>Effect of Adjustment</b>	<b>Restated</b>
<b>31 December 2016 - Statement of Financial Position</b>			
<b>Current Assets</b>			
- Trade receivables from third parties	1.105.955.826	(1.032.372.000)	73.583.826
<b>Current liabilities</b>			
- Trade payables to third parties	1.073.117.782	(1.032.372.000)	40.745.782
<b>31 December 2016 - Income Statement</b>			
Finance income	41.383.575	(620.288)	40.763.287
Finance expense	(30.511.593)	620.288	(29.891.305)
<b>31 December 2016 - Statement of Cash Flows</b>	460.869.459	(15.800.000)	445.069.459

#### 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 rate for 31 December 2017 and 31 December 2016 are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
US Dollar ("USD")	3,7719	3,5192
Euro	4,5155	3,7099

### 2.2. Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period financial statements are restated. In current year, Company has not applied any changes in its accounting policies.

### 2.3. Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current year, there are not any material errors and changes in accounting estimate methods of the Company. The Company reconsider its estimations and assumptions underlying estimates are constantly. Revisions on accounting estimates accounted within the date of revision and the subsequent period affected by these revisions.

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

## 2. Basis of Presentation of Financial Statements (*continued*)

### 2.4. New and Revised Turkish Accounting Standards

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

Amendments to TAS 12	<i>Recognition of Deferred Tax Assets for Unrealized Losses<sup>1</sup></i>
Amendments to TAS 7	<i>Disclosure Initiative<sup>1</sup></i>
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 12<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017.

#### **Amendments to TAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses***

Amendments clarify how an entity should recognize dereffed tax related to borrowing instruments at fair value.

The application of these amendments has no impact on the Company’s financial statements.

#### **Amendments to TAS 7 *Disclosure Initiative***

This amendments require an entity to provide disclosures that enable users of financial statements evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

This amendment includes Company’s liabilities arising from financing activities, credits and other financial liabilities. Consistent with the transition provisions of the amendments, the Company has not disclosed comparative information for the prior period.

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

**TFRS 12:** Improvements states that an entity need not provide summarized financial information for TFRS 5, interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale.

The application of these amendments has had no effect on the Entity’s financial statements as none of the Entity’s interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

## 2. Basis of Presentation of Financial Statements (*continued*)

### 2.4. New and Revised Turkish Accounting Standards (*continued*)

#### 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 9	<i>Financial Instruments</i> <sup>1</sup>
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> <sup>1</sup>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
Amendments to TAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 1</i> <sup>1</sup> , <i>IAS 28</i> <sup>1</sup>
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

#### **TFRS 9 *Financial Instruments***

TFRS 9 issued in new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general 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 financial statements

#### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

## 2. Basis of Presentation of Financial Statements *(continued)*

### 2.4. New and Revised Turkish Accounting Standards *(continued)*

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

##### **TFRS 9 *Financial Instruments (continued)***

- 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.

Based on an analysis of the Company’s financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the impact of TFRS 9 to the Company’s financial statements as follows:

##### Classification and measurement

Trade and other receivables are shown 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 subsequently measured at amortized cost upon the application of IFRS 9.

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

##### Impairment

Financial assets measured at amortized cost will be subject to the impairment provisions of TFRS 9.

The Company expects to recognize lifetime expected credit losses with a facilitated approach as TFRS 9 mandates or permits for their trade receivables.

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

The sales-related warranties cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Company will continue to account for the warranty in accordance with TAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with its current accounting treatment.

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

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

#### **for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

## **2. Basis of Presentation of Financial Statements (continued)**

### **2.4. New and Revised Turkish Accounting Standards (continued)**

#### **b) New and revised TFRSs in issue but not yet effective (continued)**

As regards the installation of software services, the directors have assessed that these performance obligations are satisfied over time and that the method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under TFRS 15.

The directors intend to use the full retrospective method / cumulative effect method of transition to TFRS 15.

Apart from providing more extensive disclosures on the Company’s revenue transactions, the directors do not anticipate that the application of TFRS 15 will have a significant impact on the financial position and/or financial performance of the Company.

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

The amendments to IFRS 10 and IAS 28 state that gain or losses with situations where there is a sale or contribution of assets between an investor and its associate or joint venture is accounted by the investor.

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

This amendment clarifies the standard in relation to the accounting for cash-settled share-based payment transactions that include an allowance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity settled.

#### ***IFRIC 22 Foreign Currency Transactions and Advance Consideration***

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

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

The Interpretations Committee came to the following conclusion:

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

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

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

#### **for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### **2. Basis of Presentation of Financial Statements (continued)**

#### **2.4. New and Revised Turkish Accounting Standards (continued)**

##### **b) New and revised TFRSs in issue but not yet effective (continued)**

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

The amendments to TAS 40 Investment Property:

- 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.

##### **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 organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

##### **Amendments to TAS 28 *Long-term Interests in Associate or Joint Ventures***

Amendments clarifies that TFRS 9 applies to long-term interests in an associate or joint venture in which the equity method is not applied, which consisting a part of the net investment of the associate or joint venture.

Other than effects on standards, amendments and improvements described above, financial position of Company and the possible effects on its performance are assessed.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

## 2. Basis of Presentation of Financial Statements (*continued*)

### 2.5. Summary of Significant Accounting Policies

#### 2.5.1. Accounting of revenue and expenses

##### Sales revenue and financial income

###### Sales Revenue

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

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

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

###### Service Income

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

**-Capital market commission income:** Commission income for trading transactions in capital markets are reflected to profit/loss at the date of purchase/sale transactions. Gain arising from transactions are associated in profit/loss daily on accrual basis in accordance with the prediction and interpretation of management until the collection become doubtful.

**-Advisory service income:** The Company gives investment consulting to the corporeate firms when it is going public in accordance with the contracts between the parties. Since the project results is not reliably estimated and is unlikely to recover cost, the Company records its revenue only when the money is collected.

###### Other

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

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

Other revenue and expenses are recognised on accrual basis.

#### 2.5.2. Related Parties

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

- a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### 2. Basis of Presentation of Financial Statements *(continued)*

#### 2.5. Summary of Significant Accounting Policies *(continued)*

##### 2.5.2. Related Parties *(continued)*

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

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

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

##### 2.5.3. Tangible Assets

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment. Cost represents the expenditures which are directly related to the purchase of assets.

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

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### 2. Basis of Presentation of Financial Statements *(continued)*

#### 2.5. Summary of Significant Accounting Policies *(continued)*

#### 2.5.3. *Tangible Assets (continued)*

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

The estimated useful lives of tangible assets are as follows:

<b>Tangible assets</b>	<b>Estimated useful life (year)</b>
Machinery and equipment	8
Furniture and fixtures	3-15
Leasehold improvements	5

#### 2.5.4. Intangible Assets

##### Intangible assets acquired seperately

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

#### 2.5.5. Associates

Subsidiaries which has a significant effect on both company’s financial and operational activities but has no control over the entity, are accounted on a basis of equity method between the beginning and the end date of these effects. Under the equity method, an investment in associate or a joint venture is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or a joint venture), the Company discontinues recognizing its share of further losses.

#### 2.5.6. Financial Instruments

##### Financial assets

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

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

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

#### **for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### **2. Basis of Presentation of Financial Statements (continued)**

#### **2.5. Summary of Significant Accounting Policies (continued)**

#### **2.5.6. Financial Instruments (continued)**

##### Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. These financial assets are stated at fair value and any gain or losses are recognised in profit or loss.

##### Held-to-maturity investments

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

##### Available-for-sale financial assets

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

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

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

##### Loans and receivables

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

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### 2. Basis of Presentation of Financial Statements *(continued)*

#### 2.5. Summary of Significant Accounting Policies *(continued)*

#### 2.5.6. Financial Instruments *(continued)*

##### Cash and cash equivalents

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

##### Recognition and derecognition of financial assets

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

##### Financial liabilities

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

##### Derivative financial instruments and hedge accounting

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

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



# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### 2. Basis of Presentation of Financial Statements *(continued)*

#### 2.5. Summary of Significant Accounting Policies *(continued)*

##### Derivative financial instruments and hedge accounting (continued)

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

#### 2.5.7. Effect of Exchange Differences

##### Foreign Currency Balances and Transactions

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

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

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

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

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

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

#### **for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### **2. Basis of Presentation of Financial Statements** *(continued)*

#### **2.5. Summary of Significant Accounting Policies** *(continued)*

##### **2.5.8. Earnings Per Share**

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

##### **2.5.9. Events After the Reporting Period**

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

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

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

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

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

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

##### **Onerous contracts**

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

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

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

#### **for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### **2. Basis of Presentation of Financial Statements** *(continued)*

#### **2.5. Summary of Significant Accounting Policies** *(continued)*

##### **2.5.10. Provisions, Contingent Assets and Liabilities** *(continued)*

###### Restructuring

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

###### Warranties

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

##### **2.5.11. Reporting of Financial Information According to Department**

Company has no different operating segment or geographical area needs to be specified.

##### **2.5.12. Income Taxes**

Provisions for taxes, as reflected in the accompanying financial statements, have been calculated on a separate-entity basis.

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

###### Current tax

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

###### Deferred tax

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

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

## 2. Basis of Presentation of Financial Statements *(continued)*

### 2.5. Summary of Significant Accounting Policies *(continued)*

#### 2.5.12. Income taxes *(continued)*

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

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

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

#### Current and deferred tax for the period

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

#### 2.5.13. Employee Benefits

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

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

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

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

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

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

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

#### **for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### **2. Basis of Presentation of Financial Statements** *(continued)*

#### **2.5. Summary of Significant Accounting Policies** *(continued)*

##### **2.5.14. Statement of Cash Flows**

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

##### **2.5.15. Share Capital and Dividends**

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

##### **2.5.16. Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**3 Cash and cash equivalents**

As at 31 December 2017 and 31 December 2016, cash and cash equivalents are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Cash at banks	718.298.604	456.122.020
- <i>Time deposits</i>	695.036.566	436.443.513
- <i>Demand deposits</i>	23.262.038	19.678.507
Receivables from reverse repurchase agreements	18.697.374	1.543.612
<b>Cash and cash equivalents on statement of financial position</b>	<b>736.995.978</b>	<b>457.665.632</b>
Interest income accruals on cash and cash equivalents	(9.020.786)	(4.696.173)
Customer assets	(13.039.600)	(7.900.000)
<b>Cash and cash equivalents on statement of cash flows</b>	<b>714.935.592</b>	<b>445.069.459</b>

(1) TL 13,039,600 (31 December 2016: TL 7,900,000) of bank accounts are customer assets which are not yet invested and kept as demand deposit in Company’s own accounts as at 31 December 2017.

As at 31 December 2017, TL 695,036,566 of cash at banks (31 December 2016: TL 278,527,802) is held on time deposit accounts of T. Halk Bankası AŞ which is main shareholder of the Company, TL 15,999,597 of cash at banks is on demand deposit accounts (31 December 2016: TL 1,870,543).

As at 31 December 2017, maturity of receivables from reverse repurchase agreements is 38 day and interest rate is 12,75% (31 December 2016: 3 day maturity, 7,50%-9,50% interest rate).

As at 31 December 2017 and 31 December 2016, the details of time deposits are as follows:

<b>31 December 2017</b>				
<b>Time deposit</b>	<b>Interest rate (%)</b>	<b>Maturity</b>	<b>Currency</b>	<b>Amount</b>
T. Halk Bankası A.Ş.		2 Ocak 2018 -		
	11 - 15,50	16 Mart 2018	TL	665.389.575
T. Halk Bankası A.Ş.	4,35	14 Mart 2018	USD	29.646.991
<b>Total</b>				<b>695.036.566</b>
<b>31 December 2016</b>				
<b>Time deposit</b>	<b>Interest rate (%)</b>	<b>Maturity</b>	<b>Currency</b>	<b>Amount</b>
T. Halk Bankası A.Ş.		18 Ocak 2017 -		
	8,00 - 11,15	10 Şubat 2017	TL	278.527.802
Other	10,70 - 12,00	2 Ocak 2017 -	TL	157.915.711
<b>Total</b>				<b>436.443.513</b>

As at 31 December 2017 and 31 December 2016, there is no blockage on cash and cash equivalents of the Company.

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### 4 Financial Investments

##### Short term financial assets

As at 31 December 2017 and 31 December 2016, short term financial investments are as follows:

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

	31 December 2017		31 December 2016	
	Nominal value	Carrying value	Nominal value	Carrying value
Equity securities	9.661.996	15.956.490	6.668.881	19.028.240
Private sector bonds	4.840.000	4.843.261	7.395.537	7.192.830
Government bonds	1.682.089	1.925.493	2.265.597	3.310.483
		<b>22.725.244</b>		<b>29.531.553</b>

As at 31 December 2017, government bonds with nominal value TL 1,225,000 (31 December 2016: TL 700,000) and carrying value of TL 1,243,828 (31 December 2016: TL 720,482 and TL 674,284) is pledged as collateral at Turkish Derivatives Exchange and nominal value TL 415,000 (31 December 2016: TL 1,760,000) and the carrying value TL 421,379 (31 December 2016: TL 1,811,498) worth of government bonds are hold as deposit payments in care of BIST.

##### Long term financial assets

As at 31 December 2017 and 31 December 2016, long term financial assets are as follows:

Share investments	31 December 2017		31 December 2016	
	Carrying value	Ownership rate (%)	Carrying value	Ownership rate (%)
Borsa İstanbul A.Ş. <sup>(1)</sup>	1.341.572	0,038	1.341.572	0,038
Halk Faktoring A.Ş.	1.572.996	1,240	1.215.297	1,240
Halk Gayrimenkul Yatırım Ortaklığı A.S.	286.189	0,038	271.283	0,038
Ziraat Portföy Yönetimi A.Ş. <sup>(2)</sup>	8.500	0,100	8.500	0,100
Halk Finansal Kiralama A.S. <sup>(3)</sup>	4	0,000	4	0,000
<b>Total</b>	<b>3.209.261</b>		<b>2.836.656</b>	

##### Available for sale financial assets

(1) Related stocks are evaluated by the price per share as it is determined in the 2016/35 meeting of BIST dated 29 December 2016. Valuation impact is recognised in revaluation under equity.

(2) Recognised in the financial statements with cost value.

(3) Recognised in the financial statements with cost value.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

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

As at 31 December 2017 and 31 December 2016, trade receivables of the Company are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Receivables from loan customers	63.626.342	37.754.195
Collaterals given to TDE	17.357.796	12.735.024
Leveraged trading collaterals	11.818.556	11.210.428
Receivables from customers	803.370	441.142
Collaterals given for borrowed securities	7.431.910	3.807.000
Receivables from related parties (Note 23)	304.915	24.037
Doubtful trade receivables	228.235	329.953
Provision for doubtful trade receivables	(228.235)	(329.953)
Company receivables from Settlement and Custody Bank	-	7.612.000
<b>Total</b>	<b>101.342.889</b>	<b>73.583.826</b>

(1) As at 31 December 2017, average interest rate of the loans which were used by customers, are 18.63% (31 December 2016: 15.24%).

As at 31 December 2017 and 31 December 2016, movement of doubtful receivables are as follows:

	<b>1 January - 31 December 2017</b>	<b>1 January - 31 December 2016</b>
Balance at the beginning of the year	329.953	216.813
Allowance provided during the year	87.488	127.574
Collections during the year	(16.876)	(14.434)
Provisions no longer required	(172.330)	-
<b>Balance at the end of the year</b>	<b>228.235</b>	<b>329.953</b>

**Trade payables**

As at 31 December 2017 and 31 December 2016, trade payables are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Leveraged trading collaterals	11.818.556	11.210.428
TDE collaterals	17.276.120	12.345.065
Payables to customers	21.817.241	11.862.421
Funds provided under repurchase	18.192.170	803.768
Payables to suppliers	1.388.982	717.100
Payables to related parties (Note 23)	766.875	3.519
Guarantees received for lendend securities	7.431.910	3.807.000
<b>Total</b>	<b>78.691.854</b>	<b>40.749.301</b>



**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**6 Financial liabilities**

As at 31 December 2017 and 31 December 2016, financial liabilities of the Company are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Issued Commercial Paper	325.559.780	272.942.997
Payables to Settlement and Custody Bank	337.499.027	141.816.469
<b>Total</b>	<b>663.058.807</b>	<b>414.759.466</b>

As at 31 December 2017, letter of guarantees amounting to TL 375,000,000 are given as collateral for debts to Stock Exchange Money Market (31 December 2016: TL 375,000,000).

As at 31 December 2017 and 31 December 2016, financial liabilities of the Company are as follows:

<b>31 December 2017</b>			
	<b>interest rate</b>	<b>Maturity</b>	<b>Amount</b>
	<b>(%)</b>		
Settlement and Custody Bank	11,70% - 14,50%	2 February 2018 - 9 February 2018	337.499.027
<b>Total</b>			<b>#####</b>

  

<b>31 December 2016</b>			
	<b>Interest rate</b>	<b>Maturity</b>	<b>Amount</b>
	<b>(%)</b>		
Settlement and Custody Bank	9,10% - 11,00%	2 January 2017 - 6 February 2017	141.816.469
<b>Total</b>			<b>#####</b>

As of 31 December 2017 and 31 December 2016, the company's issued bond, bill and coupon information is as follows:

<b>31 December 2017</b>					
<b>ISIN</b>	<b>Date of Issue</b>	<b>Maturity</b>	<b>Interest rate</b>	<b>Nominal</b>	<b>Amount</b>
TRFHALK11814	27 September 2017	5 January 2018	13,80%	160.000.000	159.766.848
TRFHALK11822	3 November 2017	26 January 2018	13,80%	30.000.000	29.725.179
TRFHALK31812	15 December 2017	16 March 2018	14,35%	140.000.000	136.067.753
<b>Total</b>					<b>325.559.780</b>

  

<b>31 December 2016</b>					
<b>ISIN</b>	<b>Date of Issue</b>	<b>Maturity</b>	<b>Interest rate</b>	<b>Nominal</b>	<b>Amount</b>
TRFHALK11715	4 November 2016	8 January 2017	10,00%	130.650.000	129.973.658
TRFHALK21714	16 November 2016	8 February 2017	10,00%	100.000.000	98.931.223
TRFHALK31713	13 December 2016	16 March 2017	10,70%	45.000.000	44.038.116
<b>Total</b>					<b>272.942.997</b>

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### 7 Other long term assets

The Company designed a project to supply the ability for operate on all organized markets (Pay,Viop,BAP,Forex etc.) for internal and external customers, to supply all-in-one order management system with integration of a risk control system being used by Portfolio and Fund Management companies, to supply ability of sending orders faster with normal and algorithmic operations with establishment of a hardware and FIX based software in Stock Exchange Colocation Center, to supply developing system which gives an opportunity for the external customers by using various networks (Bloomberg,Marco Polo etc.) DMA (automated) and Care Order (User controlled) to send orders faster and safer and the project presented to the Technopark Arbitration Committee. Upon approval of the project, as of November 2017, the 2<sup>nd</sup> phase of research & development activities has been started in a rental office located in Yıldız Teknik Üniversitesi/Davutpaşa Teknopark. The duration of the project is 24 months.

	1 January - 31 December 2017	1 January - 31 December 2016
Balance at the beginning of the period	826.810	64.696
Increase during the period	811.471	762.114
<b>Balance at the end of the year</b>	<b>1.638.281</b>	<b>826.810</b>

The expenses in this context, are capitalized in other long term assets.

#### 8 Other receivables and payables

##### Other receivables

As at 31 December 2017 and 31 December 2016, other receivables are as follows:

	31 December 2017	31 December 2016
TDE collaterals <sup>(1)</sup>	878.248	340.969
BISTECH transaction collaterals <sup>(2)</sup>	573.128	-
Receivables from leveraged transactions	2.350.838	90.141
Rent deposits	24.463	24.213
Receivables from personnel	21.520	21.627
Other	8.742	27.233
<b>Total</b>	<b>3.856.939</b>	<b>504.183</b>

(1) Consists of cash collaterals on behalf of the Company which are given to Settlement and Custody Bank for trading on VIOP and other markets.

(2) Consists of cash collaterals on behalf of the Company which are given to Settlement and Custody Bank for trading on share markets.

##### Other payables

As at 31 December 2017 and 31 December 2016, other payables are as follows:

	31 December 2017	31 December 2016
Taxes and dues payable	4.899.946	1.603.171
Other	27.247	-
<b>Total</b>	<b>4.927.193</b>	<b>1.603.171</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**9 Investments accounted by the equity method**

Associations	Share (%)		Main operational area
	31 December 2017	31 December 2016	
Halk Portföy Yönetimi A.Ş. <sup>(1)</sup>	25,00	25,00	Portfolio management
		<b>31 December 2017</b>	<b>31 December 2016</b>
Total assets		31.343.968	21.596.301
Total liabilities		(1.897.014)	(1.337.428)
<b>Net assets</b>		<b>29.446.954</b>	<b>20.258.873</b>
Investments accounted by the equity method		7.361.739	5.064.718
<b>Investments in equity accounted investees</b>		<b>7.361.739</b>	<b>5.064.718</b>
		<b>1 January – 31 December 2017</b>	<b>1 January – 31 December 2016</b>
Total income		17.462.032	14.368.993
Net profit for the period		9.738.081	7.491.493
Other comprehensive income		-	(12.625)
<b>Share of profit/(loss) for the year of equity accounted investees</b>		<b>2.434.520</b>	<b>1.872.873</b>
<b>Share of profit or loss and other comprehensive income of equity accounted investees</b>		<b>2.434.520</b>	<b>1.869.717</b>

<sup>(1)</sup> Halk Portföy Yönetimi AŞ 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 Company paid TL 4,500,000 in cash for the 25% share of Halk Portföy Yönetimi AŞ. Halk Portföy Yönetimi AŞ’s share capital is comprised of 18,000,000 shares each having a nominal value of TL 1.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**10 Prepaid expenses**

As at 31 December 2017 and 31 December 2016, prepaid expenses are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Prepaid expenses <sup>(1)</sup>	1.187.242	416.009
Prepaid rent	338.826	406.685
	<b>1.526.068</b>	<b>822.694</b>

<sup>(1)</sup> Prepaid expenses are consist of insurance expenses, letter of guarantee expenses and data screen expenses.

**11 Tangible assets**

For the years ended 31 December 2017 and 31 December 2016, movement of the tangible assets are as follows:

	<b>Machinery and equipment</b>	<b>Furniture and fixtures</b>	<b>Leasehold improvements</b>	<b>Total</b>
<b><u>Cost</u></b>				
Opening balance, 1 January	1.158.394	1.807.760	2.463.827	5.429.980
Additions	647.061	70.288	74.138	791.487
<b>Ending balance, 31 December 2016</b>	<b>1.805.455</b>	<b>1.878.048</b>	<b>2.537.965</b>	<b>6.221.467</b>
Opening balance, 1 January	1.805.455	1.878.048	2.537.965	6.221.467
Additions	848.602	9.839	27.158	885.599
<b>Ending balance, 31 December 2017</b>	<b>2.654.057</b>	<b>1.887.887</b>	<b>2.565.123</b>	<b>7.107.066</b>
<b><u>Accumulated depreciation</u></b>				
Opening balance, 1 January	582.053	1.492.851	1.664.764	3.739.668
Current year charge	253.807	108.666	232.962	595.435
<b>Ending balance, 31 December 2016</b>	<b>835.860</b>	<b>1.601.517</b>	<b>1.897.726</b>	<b>4.335.103</b>
Opening balance, 1 January	835.860	1.601.517	1.897.726	4.335.103
Current year charge	374.731	92.385	213.321	680.437
<b>Ending balance, 31 December 2017</b>	<b>1.210.591</b>	<b>1.693.902</b>	<b>2.111.047</b>	<b>5.015.540</b>
<b><u>Net book value</u></b>				
31 December 2016	969.595	276.531	640.239	1.886.364
31 December 2017	1.443.466	193.985	454.076	2.091.526

As at 31 December 2017, total insurance on tangible assets are amounting to TL 5,769,586 (31 December 2016: 5,000,027).

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

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

**12 Intangible assets**

For the years ended 31 December 2017 and 31 December 2016, movement of the intangible assets are as follows:

	<b>Software</b>
<b>Cost</b>	
Opening balance, 1 January 2016	2.125.211
Additions	125.061
<b>Ending balance, 31 December 2016</b>	<b>2.250.272</b>
Opening balance, 1 January 2017	2.250.272
Additions	241.223
<b>Ending balance, 31 December 2017</b>	<b>2.491.495</b>
<b>Accumulated amortisation</b>	
Opening balance, 1 January 2016	1.741.200
Current year charge	234.862
<b>Ending balance, 31 December 2016</b>	<b>1.976.062</b>
Opening balance, 1 January 2017	1.976.062
Current year charge	210.605
<b>Ending balance, 31 December 2017</b>	<b>2.186.667</b>
<b>Net book value</b>	
31 December 2016	274,210
31 December 2017	304,828

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

As at 31 December 2017 and 31 December 2016, short-term provisions are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Lawsuit provisions	798.211	1.156.239
Expenses payables	12.428	20.837
Agency expense participation accruals	84.649	54.726
Account maintenance fee expense provisions	-	16.933
Telephone expense accruals	-	6.751
Central Registry Agency ("CRA") Settlement and Custody Bank Commission accruals	-	39.804
Other expense accruals	12.202	47.517
<b>Total</b>	<b>907.490</b>	<b>1.342.807</b>

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

### 13 Provisions, contingent assets and liabilities (continued)

#### Off balance sheet liabilities

As at 31 December 2017 and 31 December 2016, off balance sheet commitments and contingencies are as follows:

#### Letter of guarantees given

	31 December 2017	31 December 2016
Settlement and Custody Bank Transaction Collaterals	375.000.000	185.000.000
Istanbul Stock Exchange (ISE)	52.480.000	63.286.000
CMB	1.776	1.776
Other	150.600	234.600
<b>Total</b>	<b>427.632.376</b>	<b>248.522.376</b>

As at 31 December 2017, the Company has guarantees given amounting to USD 50,000 in ISE to make operations in foreign marketable securities market and given amounting to USD 2,000,000 in ABN AMRO Clearing Bank N.V. to make prime brokerage operations (31 December 2016: Euro 5,000,000 and USD 50,000).

#### Other off balance sheet liabilities

Items held in custody (nominal)	31 December 2017	31 December 2016
Equity securities	1.749.867.199	914.495.282
Warrants	6.479.377	2.678.382
Other marketable securities	5.068.791.522	281.276.553
TDE agreements (unit)	11.470	17.883
CFD agreements (unit)	49	4

As at 31 December 2017, TDE transaction collaterals amounting to TL 17,276,120 are kept at BIST Settlement and Custody Bank Inc on behalf of customers (31 December 2016: TL 12,345,065).

As at 31 December 2017 and 31 December 2016, open position transactions made on behalf of the customers in TDE market are as follows:

	31 December 2017	31 December 2016
Open position transactions amount	39.663.203	68.531.726

#### Lawsuits

As at 31 December 2017, total risk of lawsuits sued against the Company are amounting to approximately TL 798,211 (31 December 2016: TL 1,159,239) and TL 798,211 of provision is provided for these lawsuits on the financial statements (31 December 2016: TL 1,156,239).

	1 January – 31 December 2017	1 January – 31 December 2016
Balance at the beginning of the period	1.156.239	911.867
Increase during the period	219.183	244.372
Provisions no longer required	(577.211)	-
<b>Balance at the end of the year</b>	<b>798.211</b>	<b>1.156.239</b>

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### 14 Employee benefits

As at 31 December 2017 and 31 December 2016, the details of provisions related to employee benefits are below:

	31 December 2017	31 December 2016
<i>Short term</i>		
- Provision for unused vacation	914.520	863.210
- Personnel dividend bonus provision	1.800.000	1.550.000
<i>Long term</i>		
- Employee severance pay liability	1.499.508	1.073.255

#### Unused vacation pay liability

Unused vacation pay liability is calculated according to earned but not used vacation days of employees without discounting. As at 31 December 2017 and 31 December 2016, movements in the provision for vacation pay liability during the year were as follows:

	1 January – 2017	1 January – 2016
Opening balance at the beginning of the year	863.210	732.604
Increase during the year	203.611	208.237
Paid during the year	(152.301)	(77.631)
<b>Closing balance at the end of the year</b>	<b>914.520</b>	<b>863.210</b>

#### Personnel dividend bonus provision

TL 1,800,000 of personnel dividend bonus provision is calculated according to the Company’s estimate for the distribution of dividend for the year 2017 (31 December 2016: TL 1,550,000). In accordance with TAS 19, the Company recognizes the related amount as an expense in the current period.

#### Employee severance pay liability

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

According to TFRS, actuarial calculation is needed for calculating of retirement pay liability. The Company has calculated the employee severance pay liability and recognized in the accompanying financial statements according to “Projection Method” and also using their past experiences in completion of service periods of their employees and entitlement to severance pay. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. In this direction, as of 31 December 2017 and 31 December 2016, actuarial assumptions used in calculation of total liabilities are described as follows:

	31 December 2017	31 December 2016
Discount rate	11,00%	11,00%
Estimated rate of salary increase	6,00%	6,00%
Net discount rate	4,72%	4,72%

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**14 Employee severance pay liability (continued)**

As at 31 December 2017 and 31 December 2016, movements in the employee severance pay liability during the year are as follows:

	<b>1 January – 31 December 2017</b>	<b>1 January – 31 December 2016</b>
Opening balance at the beginning of the year	1.073.255	845.118
Interest cost	1.108.737	91.949
Service cost	50.625	150.286
Payments during the year	(733.109)	(281.166)
Actuarial difference	-	267.068
<b>Closing balance at the end of the year</b>	<b>1.499.508</b>	<b>1.073.255</b>

**15 Equity****Share Capital**

	<b>31 December 2017</b>			<b>31 December 2016</b>		
	<b>Share (%)</b>	<b>Share Amount (TL)</b>	<b>Share Amount (TL)</b>	<b>Share (%)</b>	<b>Share Amount (TL)</b>	<b>Share Amount (TL)</b>
T. Halk Bankası A.Ş. (A Group)	45,00	36.900.000	36.900.000	45,00	36.900.000	36.900.000
T. Halk Bankası A.Ş. (B Group)	54,96	45.067.200	45.067.200	54,96	45.067.200	45.067.200
Other (B Group)	0,04	32.800	32.800	0,04	32.800	32.800
<b>Total</b>	<b>100,00</b>	<b>82.000.000</b>	<b>82.000.000</b>	<b>100,00</b>	<b>82.000.000</b>	<b>82.000.000</b>

As per the resolution of General Assembly held on 26 July 2017 it is decided that the amount of TL 719,463, 5% of net profit of the year 2016, is separated as primary reserve, the amount of TL 4,100,000, 5% of paid-in capital, is separated as primary dividend, the amount of TL 8,063,453 is separated as 2<sup>nd</sup> dividend, the maximum amount of TL 12,163,453 is paid to employees so as to cover it from 2016 employee dividend provision, the amount of TL 806,346 is separated as 2<sup>nd</sup> reserve, and the amount of TL 700,000 remaining from the profit for the period kept remainder as retained earnings.

**Restricted reserves**

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

As at 31 December 2017, restricted reserves (legal reserves) of the Company are amounting to TL 12,135,929 (31 December 2016: TL 10,610,120).



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

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

#### **for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### **15 Equity (continued)**

##### **Remeasurement and reclassification gains**

Fair value reserve is comprised of the net change in the fair value of available for sale marketable securities until they are disposed or impaired.

##### **Other gains**

As a result of the amendments to TAS 19 (2011), all actuarial gains and losses are recognised in other gains/losses under other comprehensive income for the periods after 31 December 2012.

##### **Retained earnings**

As at 31 December 2017, retained earnings of the Company are amounting to TL 3,462,787 (31 December 2016: TL 675,741).

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

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

**16 Sales revenue and cost of sales**

For the years ended 31 December 2017 and 31 December 2016, sales revenue and cost of sales are as follows:

	<b>1 January – 31 December 2017</b>	<b>1 January – 31 December 2016</b>
<b><i>Sales revenue</i></b>		
Government bond sales	87.095.596	206.061.834
Equity security sales	10.323.909	18.260.609
Private sector bond sales	32.286.575	10.580.319
Bank bills sales	12.128.874	-
Sukuk rent certificates	204.616.766	4.757.334
Treasury bills sales	2.609.160	7.443.953
Eurobond sales	6.112.695	3.173.145
Commercial bond sales	90.233.474	4.772.563
Investment funds sales	10.522.982	-
<b>Total sales revenue</b>	<b>455.930.031</b>	<b>255.049.757</b>
<b><i>Services</i></b>		
Brokerage comission income	34.743.679	18.571.833
Interest income from loans and receivables	9.944.486	5.007.219
Public offering intermediary income	12.897.396	7.188.508
Fixed returned marketable securities ("FRMC")	1.849.862	2.314.018
Settlement and Custody Bank comission income	186.598	101.104
TDE comission income	2.231.316	1.343.677
Borrowed share market comission income	268.129	24.109
Leveraged trading income	5.083.567	4.436.859
Funds management comission income	372.525	57.005
Consulting and reporting service income	390.000	210.000
Default interest income	375.317	358.974
<b>Total service income</b>	<b>68.342.875</b>	<b>39.613.306</b>
<b><i>Discounts from service income</i></b>		
Customer comission returns	(14.575)	(180.726)
<b>Total discounts from service income</b>	<b>(14.575)</b>	<b>(180.726)</b>
<b>Total sales revenue</b>	<b>524.258.331</b>	<b>294.482.337</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**16 Sales revenue and cost of sales (continued)****Cost of sales**

Government bond purchase	86.823.270	205.392.592
Equity security purchase	9.682.317	18.401.445
Private sector bond purchase	32.280.937	10.574.021
Bank bills purchase	12.050.876	-
Sukuk rent certificates purchases	204.593.874	4.757.334
Treasury bills purchases	2.609.062	7.440.398
Eurobond purchases	6.088.139	3.165.074
Commercial bond purchases	90.046.952	4.746.968
Investment funds purchases	9.999.974	-
<b>Total cost of sales</b>	<b>454.175.401</b>	<b>254.477.832</b>
<b>Gross profit</b>	<b>70.082.930</b>	<b>40.004.505</b>

**17 Marketing and general administrative expenses**

For the years ended 31 December 2017 and 31 December 2016, general administrative expenses are as follows:

<i>General administrative expenses</i>	<b>1 January – 31 December 2017</b>	<b>1 January – 31 December 2016</b>
Personnel expenses	20.249.220	17.607.628
- Salaries	14.490.804	12.803.188
- Personnel insurance and premium expenses	3.227.283	2.853.674
- Personnel severance pay expenses	764.986	518.235
- Personnel food expenses	581.523	560.503
- Other personnel expenses	1.184.624	872.028
Data monitor expenses	1.614.508	1.311.183
Rent expense	1.485.187	1.386.393
Depreciation and amortisation expenses	891.042	830.297
Outsourced benefits and services	1.819.723	1.145.758
Telephone expenses	956.702	706.838
Taxes and dues	1.071.808	1.378.712
T. Halk Bankası A.Ş. Common expenses participation provision expenses	596.213	575.302
Audit and advisory expenses	174.687	119.748
Vehicle expenses	705.142	607.332
Maintenance and repair expenses	437.874	413.259
Representation expenses	116.401	81.894
Other	1.152.594	1.499.658
<b>Total</b>	<b>31.271.101</b>	<b>27.664.002</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**17 Marketing and general administrative expenses (continued)**

For the years ended 31 December 2017 and 31 December 2016, marketing expenses are as follows:

<i>Marketing expenses</i>	<b>1 January – 31 December 2017</b>	<b>1 January – 31 December 2016</b>
Share of stock exchange expenses	4.514.699	3.510.630
Data monitor expenses	2.258.981	1.984.583
Data server expenses	235.872	585.856
Issue of commercial papers expenses	905.121	449.254
Comission and service expenses	768.304	370.952
Advertising, notice and subscription expenses	362.110	301.284
Stock exchange and association subscriptions	159.840	188.767
Stock exchange access expenses	179.243	96.629
Sponsorship expenses	60.000	37.500
Internet and website expenses	57.032	32.164
Other	46.924	38.375
<b>Total</b>	<b>9.548.126</b>	<b>7.595.994</b>

**18 Expenses by function**

The Company classifies the expenses on function basis in the accompanying financial statements. Depreciation and amortisation expenses for the year ended 31 December 2017 are TL 891,042 (31 December 2016: TL 830,297). Employee severance pay liability expense for the year ended 31 December 2017 is amounting to TL 424,396, vacation pay liability expense for the year ended 31 December 2017 is amounting TL 51,310 (31 December 2016: TL 242,235 of employee severance pay liability expense, TL 130,606 of vacation pay liability expense).

**19 Other operating income and expenses**

For the years ended 31 December 2017 and 31 December 2016, other operating income and expenses are as follows:

<i>Other operating income</i>	<b>1 January – 31 December 2017</b>	<b>1 January – 31 December 2016</b>
Other service income <sup>(1)</sup>	228.333	452.653
Other income and profits <sup>(2)</sup>	56.413	249.608
SSI return premiums and other income <sup>(3)</sup>	283.097	2.174.450
<b>Total</b>	<b>567.843</b>	<b>2.876.711</b>

<sup>(1)</sup> Comprises other income received from customers, reflected postage fees and taxes.

<sup>(2)</sup> Comprises dividend income on corporate portfolio.

<sup>(3)</sup> The amount of TL 19,807 is received as grant from treasury (31 Aralık 2016: TL 2,163,365).

<i>Other operating expenses</i>	<b>1 January – 31 December 2017</b>	<b>1 January – 31 December 2016</b>
Lawsuit provisions	219.183	244.372
Other expenses and losses	147.152	195.317
<b>Total</b>	<b>366.335</b>	<b>439.689</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**20 Finance income / expense**

For the years ended 31 December 2017 and 31 December 2016, finance income and expense are as follows:

<i>Finance income</i>	<b>1 January – 31 December 2017</b>	<b>1 January – 31 December 2016</b>
Interest income on time deposits	61.444.363	25.140.228
Interest income on reverse repurchase agreements	15.977.106	10.200.314
Derivative income	11.852.429	32.967
Interest income on TDE collaterals	196.181	58.047
Interest income on Settlement and Custody Bank	441.017	458.725
Foreign exchange gains	5.600.102	3.532.678
FRMC amortization, coupon interest and discount income	1.116.464	473.507
Other	296.132	355.593
<b>Total</b>	<b>96.923.794</b>	<b>40.763.287</b>

  

<i>Finance expense</i>	<b>1 January – 31 December 2017</b>	<b>1 January – 31 December 2016</b>
Interest expense on Settlement and Custody Bank borrowings	30.064.255	9.380.088
Interest expense on repurchase agreements	13.633.142	8.349.793
Discount expense on stocks	2.659.315	-
Interest expense on commercial paper	35.013.099	9.159.081
Foreign exchange losses	5.313.071	2.350.891
Letter of guarantee commissions	1.469.780	650.670
Other	140	782
<b>Total</b>	<b>88.152.802</b>	<b>29.891.305</b>

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2017

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

## 21 Taxation

### Corporate Tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2017 is 20% (2016: 20%) for the Company.

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated December 5, 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.

	<b>1 January – 31 December 2017</b>	<b>1 January – 31 December 2016</b>
Profit before income tax	40.670.723	19.926.386
Corporate tax computed with statutory tax rate	8.134.145	3.985.277
Disallowable expenses	40.551	299.141
Tax exempt income	(24.887)	(834.340)
Effect of the provisional change in the corporate tax rate for the future years	(43.087)	-
<b>Tax expense</b>	<b>8.106.722</b>	<b>3.450.078</b>

For the year ended 31 December 2017, effective tax rate is 20% (31 December 2016: 18%).

For the years ended 31 December 2017 and 31 December 2016, details of the tax expenses are as follows:

	<b>1 January – 31 December 2017</b>	<b>1 January – 31 December 2016</b>
Tax expense for the current period	(8.224.526)	3.627.602
Deferred tax expense/(income)	117.804	(177.254)
<b>Tax expense</b>	<b>(8.106.722)</b>	<b>3.450.348</b>

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### 21 Taxation (continued)

As at 31 December 2017 and 31 December 2016, the corporation tax payable after deduction of prepaid taxes is presented as in the “current income tax liabilities” account or “current tax assets” account.

	<b>31 December 2017</b>	<b>31 December 2016</b>
Transfer from previous year	963.198	(203.857)
Corporate tax expense for the current period	(8.224.526)	(3.627.602)
Prepaid taxes	10.102.769	4.794.657
<b>Current tax liabilities/assets</b>	<b>2.841.441</b>	<b>963.198</b>

#### Deferred tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and they are given below.

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (2016: 20%).

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Deferred tax assets</b>		
Provision for severance pay	299.902	214.651
Provision for unused vacation	201.195	172.642
Provision for personnel dividend premium	396.000	-
Allowance for doubtful receivables	50.212	40.423
Lawsuit provision	159.642	231.248
Other	-	4.306
<b>Total deferred tax assets</b>	<b>1.106.951</b>	<b>663.270</b>
<b>Deferred tax liabilities</b>		
Financial investments	(2.350.745)	(2.086.491)
Effect of the depreciation and amortisation method difference between tax regulation and financial reporting on tangible and intangible assets	(21.891)	(87.684)
Swaps	(127.416)	-
<b>Total deferred tax liabilities</b>	<b>(2.500.052)</b>	<b>(2.174.175)</b>
<b>Net deferred tax liabilities</b>	<b>(1.393.101)</b>	<b>(1.510.905)</b>

As of 31 December 2017, the Company has no available financial losses (31 December 2016: None).

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**22 Earnings per share**

Earnings per share are not computed in accordance with third paragraph of Turkey Accounting Standard 33 (“TAS 33”) about earnings per share.

**23 Related party disclosures****Trade receivables from related parties and payables to related parties**

As of 31 December 2017 and 31 December 2016, trade receivables from related parties and payables to related parties are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Cash and cash equivalents</b>		
T. Halk Bankası A.Ş.	711.036.163	290.398.345
- <i>Time deposit</i>	695.036.566	278.527.802
- <i>Demand deposit</i>	15.999.597	11.870.543
<b>Financial investments</b>		
Halk Sigorta A.Ş.	15.601.845	17.934.103
- <i>Stocks</i>	15.601.845	17.934.103
<b>Total</b>	<b>726.638.008</b>	<b>308.332.448</b>

	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Trade receivables from related parties</b>		
Halk Varlık Kiralama A.Ş.	263.220	-
Halk Portföy Yönetimi A.Ş. Funds	27.520	7.327
Halk Portföy Yönetimi A.Ş.	11.011	10.810
Halk Hayat ve Emeklilik A.Ş. Funds	3.164	-
Halk Sigorta A.Ş.	-	5.900
<b>Total</b>	<b>304.915</b>	<b>24.037</b>

	<b>31 Aralık 2017</b>	<b>31 Aralık 2016</b>
<b>Payables to related parties</b>		
Halk Sigorta A.Ş.	758.400	315
T. Halk Bankası A.Ş.	5.691	-
Bilişim ADK A.Ş.	2.784	1.987
Halk Portföy Yönetimi A.Ş.	-	1.174
Halk Hayat ve Emeklilik A.Ş.	-	43
<b>Total</b>	<b>766.875</b>	<b>3.519</b>



**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**23 Related party disclosures (continued)**

As at 31 December 2017 and 31 December 2016, balances with related parties are as follows:

**Income from related parties**

	<b>1 January – 31 December 2017</b>	<b>1 January – 31 December 2016</b>
<b><u>T. Halk Bankası A.Ş.</u></b>		
Commission income on public offer	10.698.500	6.400.000
Interest income on deposits	53.421.243	14.062.044
Advisory service income	350.000	350.000
<b><u>Halk Emeklilik Funds</u></b>		
Commission income	1.567.093	1.164.993
<b><u>Halk Portföy Funds</u></b>		
Commission income	1.138.219	1.687.552
Fund management comission income	362.824	-
<b><u>Halk Gayrimenkul Yatırım Ortaklığı A.Ş.</u></b>		
Advisory service income	-	2.500
Commission income on public offer	450.000	-
<b><u>Halk Finansal Kiralama A.Ş.</u></b>		
Commission income on public offer	906.250	375.000
Advisory service income	-	2.500
<b><u>Halk Sigorta A.Ş.</u></b>		
Advisory service income	60.000	62.500
Commission income	1.651	2.322
Custody comission income	-	5
<b><u>Halk Hayat ve Emeklilik A.Ş.</u></b>		
Commission income	15.139	16.793
Advisory service income	-	2.500
Custody comission income	-	372
<b><u>Halk Portföy Yönetimi A.Ş.</u></b>		
Commission income	113.410	105.541
Advisory service income	-	2.500
<b><u>Halk Faktoring A.Ş.</u></b>		
Advisory service income	-	2.500
<b><u>Halk Varlık Kiralama A.Ş.</u></b>		
Commission income on public offer	250.000	-
<b>Total</b>	<b>69.334.329</b>	<b>24.239.622</b>

The Company provides a significant portion of its gross profit income and financial income from the related parties.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**23 Related party disclosures (continued)****Expenses to related parties**

	1 January – 31 December 2017	1 January – 31 December 2016
<b><u>T. Halk Bankası A.Ş.</u></b>		
Rent expenses	1.354.468	1.281.872
Common cost participation expenses	600.573	564.532
Letter of guarantee commissions	40.645	42.783
Bank transaction expenses	36.512	15.986
<b><u>Halk Gayrimenkul Yatırım Ortaklığı A.Ş.</u></b>		
Financial bonds interest expense	-	90.800
<b><u>Halk Portföy Yönetimi A.Ş.</u></b>		
Performance fees	-	1.174
<b><u>Halk Sigorta A.Ş.</u></b>		
Personnel expenses (health insurance)	668.009	545.080
Financial bonds interest expense	-	90.800
Interest expense on repurchase agreements	53.587	20.192
<b><u>Halk Hayat ve Emeklilik A.Ş.</u></b>		
Financial bonds interest expense	-	90.800
Common cost participation expenses	1.255	-
Personnel expenses (health insurance)	40.362	59.790
Interest expense on repurchase agreements	124.202	32.731
<b><u>Bileşim ADK A.Ş.</u></b>		
Service expenses	24.686	16.916
Interest expense on repurchase agreements	336	-
<b>Total</b>	<b>2.944.635</b>	<b>2.853.456</b>

**Wages and other benefits granted to top management**

For the year ended 31 December 2017, total wages and similar benefits provided to the top management is amounting to TL 1,971,517 (31 December 2016: TL 2,110,845).

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

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

#### **for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### **24 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.

##### **24.1. Credit risk**

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

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2017

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

## 24 Nature and level of risks related to financial instruments (continued)

### 24.1. Credit risk (continued)

#### Credit risk exposure by the Company in terms of financial instruments:

31 December 2017	Receivables			Cash at banks <sup>(1)</sup>	Derivative financial assets	Financial investments <sup>(2)</sup>
	Trade receivables		Other receivables			
	Related party	Other party	Other party			
<b>Exposure to maximum credit risk as at reporting date (A+B+C+D+E)</b>	<b>304.915</b>	<b>101.266.209</b>	<b>3.856.939</b>	<b>736.995.978</b>	<b>579.161</b>	<b>6.768.754</b>
- Guaranteed part of maximum credit risk with collaterals etc.	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	304.915	101.037.974	3.856.939	736.995.978	579.161	6.768.754
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as impaired or overdue	-	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
- Guaranteed part of risk with collaterals etc.	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	228.235	-	-	-	-
- Impairment (-)	-	228.235	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-

(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 equity securities do not bear credit risk, they are not included in financial assets.

31 December 2016	Receivables			Cash at banks <sup>(1)</sup>	Derivative financial assets	Financial investments <sup>(2)</sup>
	Trade receivables		Other			
	Related party	Other party	Other party			
<b>Exposure to maximum credit risk as at reporting date (A+B+C+D+E)</b>	<b>24.037</b>	<b>73.889.742</b>	<b>504.183</b>	<b>457.665.632</b>	-	<b>10.503.313</b>
- Guaranteed part of maximum credit risk with collaterals etc.	-	-	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	24.037	73.559.789	504.183	457.665.632	-	10.503.313
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as impaired or overdue	-	-	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-	-	-
- Guaranteed part of risk with collaterals etc.	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	329.953	-	-	-	-
- Impairment (-)	-	329.953	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Guaranteed part of net value with collaterals	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-

(1) Reverse repurchase agreements presented in cash and cash equivalents amounting to TL 1,543,612 is included.

(2) Long term financial assets are not included. Since equity securities do not bear credit risk, they are not included in financial assets.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**24 Nature and level of risks related to financial instruments (continued)****24.1. Credit risk (continued)**

Aging of receivables which are overdue but not impaired are as follows:

31 December 2017	Receivables			Cash at banks	Financial investments
	Trade receivables		Other		
	Related party	Other party	Other party		
Overdue 1-30 days	-	-	-	-	-
Overdue 1-3 months	-	-	-	-	-
Overdue 3-12 months	-	-	-	-	-
Overdue 1-5 years	-	-	-	-	-
Overdue more than 5 years	-	228.235	-	-	-
Guaranteed part with collaterals etc.	-	228.235	-	-	-

  

31 December 2016	Receivables			Cash at banks	Financial investments
	Trade receivables		Other		
	Related party	Other party	Other party		
Overdue 1-30 days	-	-	-	-	-
Overdue 1-3 months	-	-	-	-	-
Overdue 3-12 months	-	-	-	-	-
Overdue 1-5 years	-	-	-	-	-
Overdue more than 5 years	-	329.953	-	-	-
Guaranteed part with collaterals etc.	-	329.953	-	-	-

**24.2. Liquidity risk**

The residual contractual maturities of the Company’s non-derivative financial liabilities as at 31 December 2017 are as follows:

Expected maturity	Carrying value	Total contractual cash outflows	3 months or less	3-12 months	1-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>	<b>741.750.661</b>	<b>743.249.688</b>	<b>417.689.908</b>	<b>325.559.780</b>	-	-
Trade payables	78.691.854	78.691.854	78.691.854	-	-	-
Financial liabilities	663.058.807	664.557.834	338.998.054	325.559.780	-	-
<b>Derivative financial liabilities</b>	<b>579.161</b>	<b>1.240.000</b>	-	-	-	-
Derivative cash inflows	579.161	1.240.000	-	-	-	-

The residual contractual maturities of the Company’s non-derivative financial liabilities as at 31 December 2016 are as follows:

Expected maturity	Carrying value	Total contractual cash outflows	3 months or less	3-12 months	1-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>	<b>455.508.767</b>	<b>455.998.543</b>	<b>455.998.543</b>	-	-	-
Trade payables	40.749.301	40.749.301	40.749.301	-	-	-
Financial liabilities	414.759.466	415.249.242	415.249.242	-	-	-

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### 24 Nature and level of risks related to financial instruments *(continued)*

##### 24.2. Liquidity risk *(continued)*

As at 31 December 2017 and 31 December 2016, the liquidity requirement of the Company in accordance with Communiqué 34 is as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Current assets (A)	861.064.112	558.301.261
Current liabilities (B)	751.692.966	462.745.127
<b>Current assets / Current liabilities (A/B)</b>	<b>1,15</b>	<b>1,21</b>

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

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**24 Nature and level of risks related to financial instruments (continued)****24.3. 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 translate the assets denominated in foreign currency. As of 31 December 2017 and 31 December 2016, the Company’s foreign currency position is as follows:

	<b>31 December 2017</b>				
	<b>TL Equivalent (Functional currency)</b>	<b>USD</b>	<b>EURO</b>	<b>Japanese Yen</b>	<b>Other</b>
1. Trade receivables	-	-	-	-	-
2a. Monetary financial assets (including cash, bank deposit accounts)	31.655.365	8.385.227	5.965	-	-
2b. Non-monetary financial assets	-	-	-	-	-
3. Other	-	-	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>31.655.365</b>	<b>8.385.227</b>	<b>5.965</b>	<b>-</b>	<b>-</b>
5. Trade receivables	2.200.606	551.265	5.965	1.665.532	44.920
6a. Monetary financial assets	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-
7. Other	-	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>2.200.606</b>	<b>551.265</b>	<b>5.965</b>	<b>1.665.532</b>	<b>44.920</b>
<b>9. Total assets (4+8)</b>	<b>33.855.971</b>	<b>8.936.492</b>	<b>11.930</b>	<b>1.665.532</b>	<b>44.920</b>
10. Trade payables	7.151.609	1.896.023	-	-	1.236
11. Financial liabilities	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-
<b>13. Short term liabilities (10+11+12)</b>	<b>7.151.609</b>	<b>1.896.023</b>	<b>-</b>	<b>-</b>	<b>1.236</b>
14. Trade payable	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-
<b>17. Long term liabilities (14+15+16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>7.151.609</b>	<b>1.896.023</b>	<b>-</b>	<b>-</b>	<b>1.236</b>
<b>19. Off balance sheet derivatives instruments' net asset/(liabilities) position (19a-19b)</b>	<b>(29.583.528)</b>	<b>(7.843.137)</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a. The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	-	-	-	-	-
19b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	29.583.528	7.843.137	-	-	-
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>(2.879.166)</b>	<b>(802.668)</b>	<b>11.930</b>	<b>1.665.532</b>	<b>43.684</b>
<b>21. Net foreign currency asset/(liability) position of monetary (tfrs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>26.704.362</b>	<b>7.040.469</b>	<b>11.930</b>	<b>1.665.532</b>	<b>43.684</b>
<b>22. Fair value of derivative instruments used in foreign currency hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. The hedge amount of part of foreign currency assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24. The hedge amount of part of foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**24 Nature and level of risks related to financial instruments (continued)****24.3. Market risk (continued)***Foreign currency risk (continued)*

	<b>31 December 2016</b>		
	<b>TL Equivalent (Functional currency)</b>	<b>USD</b>	<b>EURO</b>
1. Trade receivables	-	-	-
2a. Monetary financial assets (including cash, bank deposit accounts)	9.578.702	2.703.162	17.719
2b. Non-monetary financial assets	-	-	-
3. Other	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>9.578.702</b>	<b>2.703.162</b>	<b>17.719</b>
5. Trade receivables	-	-	-
6a. Monetary financial assets	-	-	-
6b. Non-monetary financial assets	-	-	-
7. Other	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>9.578.702</b>	<b>2.703.162</b>	<b>17.719</b>
10. Trade payables	74.178	21.708	-
11. Financial liabilities	-	-	-
12a. Other monetary liabilities	-	-	-
12b. Other non-monetary liabilities	-	-	-
<b>13. Short term liabilities (10+11+12)</b>	<b>74.178</b>	<b>21.708</b>	<b>-</b>
14. Trade payable	-	-	-
15. Financial liabilities	-	-	-
16a. Other monetary liabilities	-	-	-
16b. Other non-monetary liabilities	-	-	-
<b>17. Long term liabilities (14+15+16)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>74.178</b>	<b>21.708</b>	<b>-</b>
<b>19. Off balance sheet derivatives instruments' net asset/(liabilities) position (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a. The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	-	-	-
19b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	-	-	-
<b>20. Net foreign currency asset/(liability) position (9-18+19)</b>	<b>9.504.524</b>	<b>2.681.454</b>	<b>17.719</b>
<b>21. Net foreign currency asset/(liability) position of monetary (tfrs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>9.504.524</b>	<b>2.681.454</b>	<b>17.719</b>
<b>22. Fair value of derivative instruments used in foreign currency hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. The hedge amount of part of foreign currency assets</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24. The hedge amount of part of foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>



**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**24 Nature and level of risks related to financial instruments (continued)****24.3. Market risk (continued)***Sensitivity to foreign currency*

The Company is exposed to foreign currency risk denominated in US Dollar and Sterling.

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

<b>31 December 2017</b>		
	<b>Valuation of foreign currency</b>	<b>Devaluation of foreign currency</b>
<u>10% movement of US Dollar against TL</u>		
1- US Dollar net asset/liability	2.655.595	(2.655.595)
2- Hedging part of US Dollar (-)	-	-
<b>3- US Dollar net effect (1+2)</b>	<b>2.655.595</b>	<b>(2.655.595)</b>
<u>10% movement of Euro against TL</u>		
4- Euro net asset/liability	5.426	(5.426)
5- Hedging part of Euro (-)	-	-
<b>6- Euro net effect (4+5)</b>	<b>5.426</b>	<b>(5.426)</b>
<u>10% movement of Japanese Yen against TL</u>		
7- Japanese Yen net asset/liability	5.612	(5.612)
8- Hedging part of Japanese Yen (-)	-	-
<b>9- Japanese Yen net effect (7+8)</b>	<b>5.612</b>	<b>(5.612)</b>
<u>10% movement of other currencies against TL</u>		
10- Other net asset/liability	3.803	(3.803)
11- Hedging part of other (-)	-	-
<b>12- Other net effect (10+11)</b>	<b>3.803</b>	<b>(3.803)</b>
<b>Total (3+6+9+12)</b>	<b>2.670.436</b>	<b>(2.670.436)</b>
<b>31 December 2016</b>		
	<b>Valuation of foreign currency</b>	<b>Devaluation of foreign currency</b>
<u>10% movement of US Dollar against TL</u>		
1- US Dollar net asset/liability	943.879	(943.879)
2- Hedging part of US Dollar (-)	-	-
<b>3- US Dollar net effect (1+2)</b>	<b>943.879</b>	<b>(943.879)</b>
<u>10% movement of Euro against TL</u>		
4- Euro net asset/liability	6.574	(6.574)
5- Hedging part of Euro (-)	-	-
<b>6- Euro net effect (4+5)</b>	<b>6.574</b>	<b>(6.574)</b>
<b>Total (3+6)</b>	<b>950.453</b>	<b>(950.453)</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

**24 Nature and level of risks related to financial instruments (continued)****24.3. Market risk (continued)***Price risk*

Share price risk is the risk that decrease of share prices, result of change in share price index level and value of share.

As at 31 December 2017 and 31 December 2016, in case of having a 20% increase/(decrease) in BİST stock market index while having all other variables constant, the effects on profit or loss and comprehensive income would be as follows:

<b>31 December 2017</b>	<b>Profit / (loss)</b>		<b>Equity<sup>(1)</sup></b>	
	<b>20% increase</b>	<b>20% decrease</b>	<b>20% increase</b>	<b>20% decrease</b>
<i>Financial assets at fair value through profit or loss</i>				
- Stocks	3.191.298	(3.191.298)	3.191.298	3.191.298
<i>Financial assets available for sale</i>				
- Stocks	-	-	57.238	(57.238)
<b>Total</b>	<b>3.191.298</b>	<b>(3.191.298)</b>	<b>3.248.536</b>	<b>3.134.060</b>

<sup>(1)</sup> Profit /(loss) changes are included, as well

<b>31 December 2016</b>	<b>Profit / (loss)</b>		<b>Equity<sup>(1)</sup></b>	
	<b>20% increase</b>	<b>20% decrease</b>	<b>20% increase</b>	<b>20% decrease</b>
<i>Financial assets at fair value through profit or loss</i>				
- Stocks	3.805.648	(3.805.648)	3.805.648	3.805.648
<i>Financial assets available for sale</i>				
- Stocks	-	-	54.257	(54.257)
<b>Total</b>	<b>3.805.648</b>	<b>(3.805.648)</b>	<b>3.859.905</b>	<b>3.751.391</b>

<sup>(1)</sup> Profit /(loss) changes are included, as well.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### 24 Nature and level of risks related to financial instruments (continued)

##### 24.3. Market risk (continued)

###### Interest rate risk

The Company uses its cash for investing in securities and time deposits by considering the market conditions.

		31 December 2017	31 December 2016
<b>Fixed interest rate financial instruments</b>			
	Financial assets at fair value through profit or loss	1.861.216	9.818.537
Financial assets	Time deposits	695.036.566	436.443.513
	Receivables from reverse repurchase agreements	18.697.374	1.543.612
Trade receivables	Receivables from loan customers	63.626.342	37.754.195
Financial liabilities	Financial liabilities	663.058.807	414.759.466
<b>Floating interest rate financial instruments</b>			
Financial assets	Financial assets at fair value through profit or loss	4.907.538	684.776

###### Interest risk position table

Equity securities are not included in financial investments.

The Company’s debt securities classified as financial assets at fair value through profit or 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/(decreased) by 1% with the assumption of keeping all other variables 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 31 December 2017 and 31 December 2016 would be as follows:

	Profit/(loss)		Equity		
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease	
<b>31 December 2017</b>					
Financial investments	(49.075)	49.075	(49.075)	49.075	
<b>31 December 2016</b>					
Financial investments	(6.848)	6.848	(6.848)	6.848	
		<b>31 December 2017</b>		<b>31 December 2016</b>	
		<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Swaps	579.161	-	-	-	
<b>Total</b>	<b>579.161</b>	<b>-</b>	<b>-</b>	<b>-</b>	

The Company uses foreign exchange derivatives to hedge its future significant transactions and cash flows from financial loss. The Company support various forward exchange contracts and options depending on the management of exchange rate fluctuations. Derivative instruments principally represent the foreign exchange currencies that Company operates in the market.

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

## 24 Nature and level of risks related to financial instruments *(continued)*

### 24.4. Capital management

As at 31 December 2017 and 31 December 2016, the Company should have a minimum capital amounting TL 25,000,000 and TL 25,000,000, respectively in accordance with the certificates of authorisation in the scope of Communiqué 34.

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) Tangible assets (net),

2) Intangible assets (net),

3) Non-current financial assets after deducting impairment and capital commitments except financial assets traded at stock exchange and other organized markets,

4) Other non-current assets,

b) Unsecured receivables from personnel, shareholders, affiliates, subsidiaries, individuals or entities related with directly or indirectly even if they are customers, and marketable securities issued by these individuals or entities and are not traded at stock exchange or other organized markets.

As at 31 December 2017, the capital adequacy base for the Company is TL104,296,011 (31 December 2016: TL 102,835,906). The base for the capital adequacy liability could not be less than following items.

a) Minimum equity capital corresponding to certificate of authorisation,

b) Risk provision,

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

As at 31 December 2017, the capital adequacy base of the Company is higher than all items presented above.

#### *Risk provision*

The Company calculates risk provision for both statements of balance sheet and off-balance sheet items by using the rates stated in Communiqué 34. Risk provision is the sum of position risk, counter party risk, concentration risk and foreign currency risk amounts which calculated in accordance with the regulations of Communiqué 34.

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2017

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#### 24 Nature and level of risks related to financial instruments *(continued)*

##### 24.4. Capital management *(continued)*

As at 31 December 2017 and 31 December 2016, the risk provision amounts calculated in accordance with the regulations of Communiqué 34 are as follows:

	<b>31 December 2017</b>	<b>31 December 2016</b>
Position risk	31.328.469	20.389.596
Counter party risk	48.218.980	24.531.688
Foreign currency risk	96.190	611.279
<b>Total provision for risk</b>	<b>79.643.639</b>	<b>45.532.564</b>

#### 25 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.

1<sup>st</sup> level: Registered (unadjusted) prices of identical assets or liabilities in active markets.

2<sup>nd</sup> level: Data which can be observed by directly (through prices) or indirectly (derived from prices) and which excludes the registered prices described in 1<sup>st</sup> level.

3<sup>rd</sup> level: Data that is not based on observable market data related to assets and liabilities (non-observable data).

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

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### for the Year Ended 31 December 2017

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

## 25 Financial instruments (continued)

### Fair value disclosures (continued)

#### Classification relevant to fair value information (continued)

In this context, fair value classification of assets and liabilities which are measured over their fair values is as follows:

<b>31 December 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial investments (short term)	22.725.244	-	-	22.725.244
Financial investments (long term) <sup>(1)</sup>	286.190	2.914.571	-	3.200.761
Derivative financial instruments	-	579.161	-	579.161
<b>Financial liabilities</b>				
Derivative financial instruments	-	-	-	-
<b>31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial investments (short term)	29.531.553	-	-	29.531.553
Financial investments (long term) <sup>(1)</sup>	271.283	2.556.873	-	2.828.156
<b>Financial liabilities</b>				
Derivative financial instruments	-	-	-	-

Fair values of Halk Hayat ve Emeklilik AŞ and Halk Faktoring AŞ which are classified as level 2 are measured by an independent valuation company by using comparable company method with calculating the weighted average of the amounts calculated over the market value/book value factor and net asset value.

Since Halk Gayrimenkul Yatırım Ortaklığı AŞ's securities have been offered to public, the fair value is calculated over the market price and classified as Level 1 in the table above.

As of 31 December 2017 and 31 December 2016, the participation rate of the Company in the Istanbul Stock Exchange is 0.0377%. The Company holds 159,711 shares with a nominal value of TL 15,971,094. Related shares are valued with the price per share that is determined in the meeting of Borsa İstanbul dated 29 December 2016, numbered 2016/35 and valuation effects are recognized under equity in the financial statements at the current period.

## 26 Other matters

In the United States (US), first trial phase of the case related to the violation of United States sanctions to Iran, the person who is in the position of main partner of Türkiye Halk Bankası A.Ş. (the main joint bank) has been decided that he was guilty for some of the crimes attributed to him by court jury. In the ensuring period, it is possible for him to apply all legal remedies including appeals against the decision and legal proceedings have not been concluded yet.

The main joint bank is not a party or directly involved to the case. There is no administrative or financial decision taken by the court on the main partner bank.

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

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

#### **for the Year Ended 31 December 2017**

(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

#### **26 Other matters (continued)**

The main joint bank, is responsive to national and international regulations in all its operations and transactions with making an intensive effort to further improve its compliance policy at international standards.

The main joint bank does not use any mechanism, method or system other than existing regulations and foreign trade practices known and followed by all other banks while providing banking services. Foreign trade operations and money transfers are open, transparent and monitored by relevant authorities. The main joint bank, will continue its policy of transparency in its operations and compliance with international regulations in a stable manner.

The main joint bank, referring to the importance of the matter, has made a change in the organizational structure and created a separate unit under the name of “Compliance Department”. In the compliance policy of the unit, compliance department get consultancy services from an specialized international company to enhance the effectiveness in their business and control processes.

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

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

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