



# “Towards new horizons...”

2013 Annual Report

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# Corporate Profile”

Having carefully read the growth dynamics of the Turkish economy and evaluated them correctly, Halk Invest continues to be a pioneer of progress through its strong belief in the future of the capital markets in Turkey and its contemporary service understanding.

Halk Invest aims to become one of Turkey’s globalizing and pioneer brokerage houses and to be the reference point for the Halk Group in the capital markets.

With a business model focused on efficiency and productivity which is structured on the basis of efficiency, trust, customer-orientation, sharing up-to-date information with investors, adopting technological trends and effective utilization of its distribution channels, Halk Invest aims to become one of Turkey’s globalizing and pioneering brokerage houses and to be the reference point for the Halk Group in the capital markets.

Within the framework of the authorization certificates issued by the Capital Markets Board, Halk Invest is active in the following transactions;

- securities trading,
- repo and reverse repo,
- portfolio (asset) management,
- investment consultancy,
- public offering,
- margin trading, short selling, securities borrowing and lending,
- derivatives trading
- leveraged instruments trading

Through its belief that return is a culture, Halk Invest places the ‘return culture’ concept at the heart of its products and services. Within this context, Halk Invest aims to offer market-focused, dynamic and innovative products and services to its customers.

**General information about Halk Invest**  
**Foundation:** 1997

**Number of branches:** 10

**Alternative Distribution Channels**

[www.halkyatirim.com.tr](http://www.halkyatirim.com.tr)  
[www.halkbank.com.tr](http://www.halkbank.com.tr)  
(Investment Menus)

**Invest Dialogue**

(444 HALK)  
(444 4255)

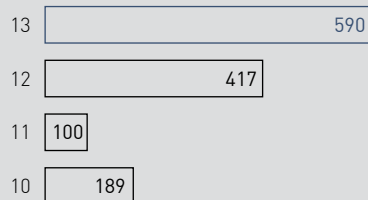
Halk Invest is a 99.9% owned subsidiary of T. Halk Bankası A.Ş. (Halkbank).

# Key Indicators”

| KEY FINANCIAL INDICATORS                                        | 31.12.2013  | 31.12.2012  |
|-----------------------------------------------------------------|-------------|-------------|
| <b>Balance Sheet</b>                                            |             |             |
| <b>Assets</b>                                                   |             |             |
| Current Assets                                                  | 581,349,213 | 410,170,222 |
| Cash and Cash Equivalents                                       | 268,901,325 | 151,792,848 |
| Non Current Assets                                              | 9,014,857   | 7,238,590   |
| Total Assets                                                    | 590,364,070 | 417,408,812 |
| <b>Liabilities</b>                                              |             |             |
| Current Liabilities                                             | 515,964,476 | 353,020,488 |
| Non Current Liabilities                                         | 263,542     | 284,846     |
| Equity                                                          | 74,136,052  | 64,103,478  |
| Net Profit (Loss) for the Year                                  | 8,684,530   | 10,058,976  |
| Total Liabilities                                               | 590,364,070 | 417,408,812 |
| <b>Statement of Income</b>                                      |             |             |
| Gross Profit (Loss)                                             | 32,775,372  | 23,786,414  |
| Operational Profit (Loss)                                       | 8,182,774   | 6,675,908   |
| Profit (Loss) before Tax                                        | 10,800,153  | 12,555,651  |
| Tax                                                             | 2,115,623   | 2,496,675   |
| Net Profit (Loss) for the Year                                  | 8,684,530   | 10,058,976  |
| <b>FINANCIAL RATIOS</b>                                         |             |             |
| <b>Liquidity Ratios</b>                                         |             |             |
| Current Ratio (Current Assets/Current Liabilities)              | 113%        | 116%        |
| Liquidity Ratio (Cash and Cash Equivalents/Current Liabilities) | 52%         | 43%         |
| <b>Financial Structure Ratios</b>                               |             |             |
| (Current Liabilities+Non Current Liabilities)/Assets            | 87%         | 85%         |
| Equity/Assets                                                   | 13%         | 15%         |
| <b>Profitability Ratios</b>                                     |             |             |
| Net Profit/Assets                                               | 1.47%       | 2%          |
| Net Profit/Equity                                               | 12%         | 16%         |

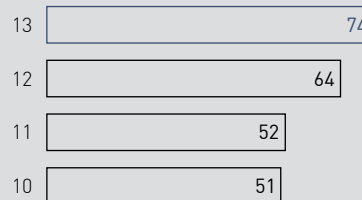
CAGR: Compound Annual Growth Rate

## Total Assets (TL million)



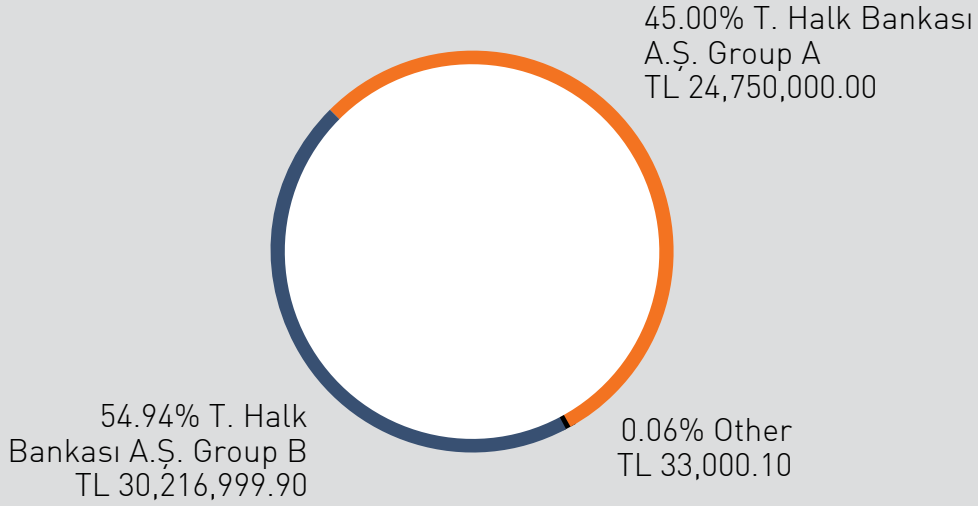
CAGR : 46.2%

## Shareholders' Equity (TL million)



CAGR: 17.8%

## Shareholder and Capital Structure



## Trading Volume-Equity Market (TL million)



### Participation of Halkinvest:

#### Halk Asset Management

Halk Asset Management has been founded by registry in the Istanbul Commercial Registry on June 24<sup>th</sup>, 2011 and declaration in the Commercial Registry Gazette on June 30<sup>th</sup>, 2011 No: 7848. The aim of the subsidiary is to undertake the capital market operations defined in its Articles of Association, in conformity with the Capital Markets Law and relevant regulations.

Founded in: **2011**

The share of Halkinvest in paid-in capital: **25%**

Main area of activity: **Asset management**

# Message from the Chairman”

Last year will be remembered as a year in which a raft of innovations were put into practice regarding investors, the domestic stock markets, capital market institutions and the money and capital markets.

Halk Invest cemented its place in traditional brokerage services in 2013. At the same time, Halk Invest received invitations to lead capital market projects in a range of corporate finance operations and successfully fulfilled its responsibilities.

We leave behind a year marked by changing dynamics in the global economy and volatility in capital inflows to developing countries - including Turkey - and where stability and balancing efforts came under the spotlight against a backdrop of slowing growth rates.

The year 2013 will be remembered as a year in which a raft of innovations were put into practice regarding investors, the domestic stock markets, capital market institutions and the money and capital markets. During the year, the Capital Markets Law - which has been in force since 1987 - and its secondary regulations were renewed. The new law, which is on a global scale, was introduced to the sector. Within this context, steps taken by the regulatory and supervision agencies brought a redefinition of several concepts and activities in capital markets in which Halk Invest operates, and the necessity for planning of detailed preparation to maintain the activities.

Our Company will be prepared for the future by focusing on infrastructure and investments in human resources in the coming period in which banking, investment banking, intermediary firms and asset management will differ from one another. Halk Invest will maintain and enhance the function of being a reference point for the capital markets, at both Halkbank and its subsidiaries, which operate under the principle of being a financial supermarket.


In the next year, one of the focal points of our country's capital markets is to increase the domestic propensity for saving. Accordingly, the focus will be on state-funded policies, corporate applications, individual tendencies and, finally, the development of the private pension system. As an investment institution being aware of its mission in the capital markets, Halk Invest will be one of the largest supporters of the development of private pension system.

Halk Invest's primary objective for the coming period is to offer products and services effectively, reliably and continuously at international standards which will support Istanbul's vision of being a global financial centre and which will enhance the competitive power of Turkey's financial markets. With an awareness of the importance of both economic and social improvement, Halk Invest also considers corporate social responsibility, which will garner favour among the wider public.

Halk Invest cemented its place in traditional brokerage services in 2013. At the same time, Halk Invest received invitations to lead capital market projects in a range of corporate finance operations, and successfully fulfilled its responsibilities. The secondary public offering of Emlak Konut REIT represented the largest secondary capital increase in Turkey's capital market history. This public offering indicated that qualitative foreign capital still flows in our country even in a very fragile period.

Halk Invest's primary objective for the coming period is to offer products and services effectively, reliably and continuously at international standards which will support Istanbul's vision of being a global financial centre and which will enhance the competitive power of Turkey's financial markets. With an awareness of the importance of both economic and social improvement, Halk Invest also considers corporate social responsibility, which will garner favour among the wider public.

On behalf of myself and our Board of Directors, I would like to thank our main shareholder, our employees, our clients and all of our business partners.



**İsmail Hakkı İMAMOĞLU**  
Chairman of the Board of Directors

# Board of Directors”

## **İSMAİL HAKKI İMAMOĞLU**

### **Chairman of the Board of Directors**

Mr. İmamoğlu started his career at T. Vakıflar Bankası as an Inspector in 1984. He went on to assume a number of posts as the vice chairman of the Board of Inspectors, as the general manager of private secretariat, as the secretary general of the Administrative Council, as the branch manager and as the head of the department at the same bank. Mr. İmamoğlu then worked as the chairman of the board of inspectors at Sümerbank and Toprakbank, and as a coordinator at Bayındırbank. Mr. İmamoğlu joined T. Halk Bankası A.Ş. as a regional coordinator on 1<sup>st</sup> of July, 2003, assuming the role until 27<sup>th</sup> of March, 2011, after which he was appointed as the deputy general manager responsible for Artisan and SME Banking-2 between 28<sup>th</sup> of March, 2011 and 21<sup>st</sup> of July, 2011; he has been working as a deputy general manager in charge of Retail Banking since then. Mr. İmamoğlu also serves as the Chairman of the Board of Directors at Halk Invest.

## **OLCAY DOĞAN**

### **Vice Chairman of the Board of Directors**

Mr. Doğan began his career as an Assistant Inspector at T. Halk Bankası A.Ş. where he worked as an Inspector, Vice Chairman of the Board of Inspectors, Head of Internal Control Department, Head of Training Department and as the Head of Budget Performance Department. Mr. Doğan has been serving as the Head of Deposits and Cash Management Department since 31<sup>st</sup> of March, 2010 and also serves as the Vice Chairman of the Board of Directors at Halk Invest.

## **LEVENT EREN**

### **Member of the Board of Directors**

Mr. Eren began his career as an Assistant Inspector at the General Directorate of Foundations before being appointed as a Treasury Controller and Internal Auditor at the Undersecretariat of the Treasury. He worked as a Treasury Undersecretary Consultant for two and half years from January 2005. He was the Board member at Başkent Elektrik Dağıtım A.Ş. between 2005 and 2007. He completed MBA in economics at the North Carolina State University in the USA in 2009. In July 2009, he was appointed as a member to the Audit Committee at the ECO Trade and Development Bank, where he continues to serve. He has also been serving as an advisor to Mr. Ali Babacan, the Deputy Prime Minister, since May 2009, and was also appointed as the Assistant General Manager at General Directorate of Foreign Economic Relations. Mr. Eren also serves as a Board member at Halk Invest.

## **MURAT ÇETİNKAYA**

### **Member of the Board of Directors and General Manager**

Mr. Çetinkaya began his career at the Fund Management Department in T.C. Ziraat Bankası A.Ş. and worked as a Deputy Manager at the Treasury Department at Tekstilbank A.Ş., and later at Diler Yatırım Bankası A.Ş. where he worked as a Manager of the Treasury Department. Mr. Çetinkaya has been working as the General Manager of Halk Invest since 5<sup>th</sup> of August, 2010, and has been a member of Board of Directors at Halk Invest since 9<sup>th</sup> of April, 2013. Having served at the Board of Directors of Halk Portföy Yönetimi A.Ş. since its foundation until 9<sup>th</sup> of April, 2013, Mr. Çetinkaya has also been serving as a member of the Borsa İstanbul Disciplinary Committee since May 2012 and as the Vice President of the TOBB Turkish Capital Market Assembly since August 2012. He was appointed as a member of the Board of Directors at Halk Invest Ltd. on 5<sup>th</sup> of March, 2014. Mr. Çetinkaya is also Chairman of the Board of Directors at the Capital Markets Professionals (SPP) Association.



## **SAMİ BACANAK**

### **Member of the Board of Directors**

Having started his career as a tax officer at the Hatay Financial Office between 1979 and 1983, Mr. Bacanak then worked at the Board of Inspectors of T.C. Ziraat Bankası A.Ş. between 1984 and 1996. He started to serve as the Branch Manager at Pamukbank T.A.Ş. in 1997 and at T. Halk Bankası A.Ş. in 2004. Still serving as a Coordinator of the Izmir 2<sup>nd</sup> Region at T. Halk Bankası A.Ş. since 2011, Mr. Bacanak also serves as a Board member at Halk Invest.

## **KADİR YAYLAK**

### **Member of the Board of Directors**

Having started his career as a substitute lecturer at the Ministry of National Education in Ankara in 1993, Mr. Yaylak then joined T. Halk Bankası A.Ş. in 1994 where he respectively served as an Assistant Inspector, Inspector, Senior Inspector, Chief Inspector, Vice Chairman of the Board of Inspectors and a Department Manager. He has been serving as the Head of the Tax Management and Accounting Department since 2009. He also serves as a Board member at Halk Invest.

## **ÖZLEM MEMİŞ**

### **Member of the Board of Directors**

Having graduated from the Faculty of Political Sciences of Istanbul University in 1988, Ms. Memiş completed language courses and worked abroad after a short period of work experience at the Anadolu Group. She entered banking sector in 1991 as a Management Trainee at Pamukbank Credit Cards Centre in 1991. She participated in a number of projects as an officer and manager at Pamukbank T.A.Ş. in the System Development and Automation Departments. After the Halkbank-Pamukbank merger in 2004, she was appointed as a Division Manager at Halkbank Information Systems and Technical Services Group Software Development. Ms. Memiş has been serving as the Department Head of Operational Strategy and Innovation Management since January 2012, at the same time serving as a Board member at Halk Invest.

## **AYŞEGÜL SAYIN**

### **Member of the Board of Directors**

Ms. Sayın started her career as an instrumentation project manager at N.V. Turkse Shell in 1991. She then continued to serve as a Systems Analyst, Project Manager and Division Manager at the Information Technologies Group at Pamukbank T.A.Ş. Ms. Sayın has been serving as the Department Head of Technological Architecture Management at Türkiye Halk Bankası A.Ş. since 2005, while at the same time serving as a Board member at Halk Invest.

## **SERDAR SÜRER**

### **Member of the Board of Directors**

Mr. Sürer started his career in 1992 at Arz Menkul Değerler A.Ş. before working as a Securities Manager at Ekinciler Yatırım Menkul Değerler A.Ş. and as a Branch Manager at Global Menkul Değerler A.Ş. until 2002. He joined Halkbank in 2002 where he was responsible for Mutual Funds at the Treasury Management Department. Mr. Sürer has been serving as the Department Head of Money and Capital Markets since 2012 and at the same time serves as a Board member at Halk Invest.

# Message from the General Manager”

In 2013, we generated the highest revenue in our Company’s history, with net value added generated from our activities.

We are planning to launch “Purchasing Turkish Assets” in 2014 in addition to the current channels in the sector.

We completed the 3<sup>rd</sup> year of our structural transformation plan at Halk Invest, which we designed with a 5-year perspective, at the end of 2013. We are pleased to note that we reached the right decisions in 2013 within the context of secondary regulations, specifically the CMB communiqués published during the year after Capital Market Law].

With total assets of TL 13 billion, our sector accounts for a small share of our GDP. Brokerage houses have experienced difficulty in terms of profitability. However, this does not in any sense suggest that our sector is not important. In contrast, our country must strengthen the market players in this sector with the 2023 targets, while it is a well-known reality that deep financial markets are crucial in the economic models of developed countries. As the strong investment institutions and investment banks both now and in the future, we have a responsibility to focus on the development of the capital markets. Lawmakers have expressed such views on this issue with their actions and announcements. To this end, Halk Invest implements its policies patiently and continuously with the support of Halkbank, the Company’s main shareholder. Halk Invest is determined to maintain these applications.

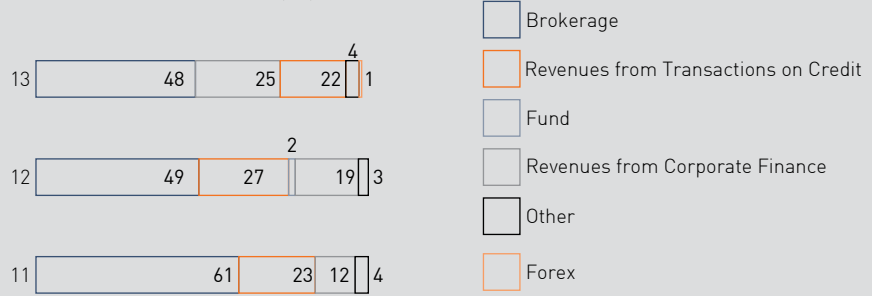
While our company was generating revenue from three fields of activity, including asset management, in 2010, we now generate revenue from five activity fields as of the end of 2013. Asset management has been excluded from the Company’s field of activities, as this area was transferred to Halk Asset Management, in which we participated

in as a shareholder in 2011. We generated the highest level of revenue in our Company’s history in 2013 with the net added value generated from our activities. Our net revenue from operations, including asset management revenues which we had generated until the beginning of 2012, increased at a CAGR of 13% between 2009 and 2013. When we exclude this item, the CAGR reaches 26% for the same period.

We are planning to increase the number of revenue generating activities to 7 in 2014, although we expect 2014 to be a difficult year. We are planning to launch “Purchasing Turkish assets” in 2014 in addition to current channels in the sector. We believe our country offers an environment able to sustain more market players. We need to be investment institutions with global targets. Our primary objective in this context is to complete the official authorisation process of our London office and take the first steps concerning its contributions to our revenues in the second half of 2014.

We have considered setting up a natural hedging mechanism to cover the exchange rate risk associated with various foreign exchange revenues until the operation becomes profitable, as this operation will give rise to foreign exchange losses. Our Leveraged FOREX operation, which is a first among state funded investment institutions and which was launched in 2013, has strategic importance in this regard. We think this product - which provides considerable benefits for our activities - could generate added value for SMEs in managing their currency risk. Our activities in this area will continue in 2014.

## Breakdown of Revenues (%)



Our primary objective in this context is to complete the official authorisation process of our London office and to take first steps in securing its contribution to our revenues in the second half of 2014.

We need to understand the CMB communiqués, which are put into practice in line with the union acquis. We also need to adapt our mentality to these communiqués while undertaking a lateral effort in this sense. We will concentrate our activities in a bid to offer qualified investment consultancy with the awareness that not products are appropriate for all customers.

In the course of the last 3 years, we became one of the key investment institutions providing added value to our country in the field of corporate finance. In an analogy with football teams which are given a star when they reach the 5-championships, we are one of the star market players creating added value in our country and the CEEMEA region with our 2013 activities. Improving our competence in investment banking remains one of the primary objectives of our restructuring process. We believe that Halk Invest will reach a more prominent position in the capital markets with DCM [debt capital market], ECM [equity capital markets] and M&A [mergers and acquisitions] operations. While our company did not generate revenue in this field, its share was 10% in 2011, rising to 27% in 2012 and 25% in 2013.

T2014 will be a year in which we consolidate last years' gains and embark on work for a new 5-year plan. We continue to organize our Investor Conferences and share Outlook Reports, which are popular with our customers. We will reinforce our philosophy of "Right Decision" with corporate identity and communication policies.

We greatly value the support of Halkbank, one of the most important players in the Turkish banking sector, in our activities. This issue is important to advance the opportunities arising from the current conjuncture in our country's capital markets. In addition to strong support from our main shareholder, we believe the main driving force behind our motivation is the fact that our employees firmly believe that the things we have done so far represent just 10% of the things that we will do. With this awareness, we continue to move forward towards the future of our country's capital markets.

I would hereby like to express my greatest gratitude, first and foremost to our investors and customers, and to our employees, to our main shareholder T. Halk Bankası A.Ş., to the Capital Markets Board that has sought to pave the way for the sector, to the Borsa İstanbul which has such an important place in our sector's plans for the future with structural transformation operations, and to all of the individuals, corporations and entities who have believed in, trusted and supported Halk Invest.

**Murat ÇETİNKAYA**  
Member of the Board of Directors and  
General Manager

# Senior Management”

## **MURAT ÇETİNKAYA** Member of the Board of Directors and General Manager

Born in Ankara in 1970, Murat Çetinkaya completed his high school education at the TED Ankara College. After graduating from the Department of Metallurgical and Materials Engineering at the Middle East Technical University, he also studied at the T.C. Ziraat Bankası A.Ş. School of Banking and completed an MBA in Banking at the Institute of Banking and Insurance at Marmara University. Mr. Çetinkaya began his career at the Fund Management Department in T.C. Ziraat Bankası A.Ş. and worked as a Deputy Manager at the Treasury Department at Tekstilbank A.Ş., and later as a Manager of the Treasury Department in Diler Yatırım Bankası A.Ş. . Mr. Çetinkaya has been working as the General Manager of Halk Invest since 5<sup>th</sup> of August, 2010, and has served as a member of the Board of Directors at Halk Invest since 9<sup>th</sup> of April, 2013. Mr. Çetinkaya has also been serving as a member of the Borsa İstanbul Disciplinary Committee since May 2012 and as the Vice President of the TOBB Turkish Capital Market Assembly since August 2012. Having been appointed as the member of Board of Directors at Halk Invest Ltd. on 5<sup>th</sup> of March, 2014 Mr. Çetinkaya is also Chairman of the Board of Directors at Capital Markets Professionals (SPP) Association.

## **ALİ ÖMÜRBEK** Deputy General Manager

Ali Ömürbek was born in Iran in 1964 and graduated from the Department of Mathematical Engineering at the Istanbul Technical University in 1991. He began his career as a software and analysis engineer in a computer company. He then worked at General Finans Menkul Değerler A.Ş. as an IT Manager before joining Halk Invest in 2002 where he initially worked as an IT Manager. Mr. Ömürbek has been serving in the position of Deputy General Manager being responsible for the Information Technologies, Human Resources and Organization and Financial Operations Units at Halk Invest since December 2008.

## **AZMİ DÖLEN** Deputy General Manager

Born in Ankara in 1963, Azmi Dölen graduated from the Department of Business Administration at Marmara

University in 1987. He completed MBA in European Studies at the same university in 1990. He began his career as a Research Assistant at the Institute of European Community at Marmara University before working in various positions at Koçbank, Osmanlı Bankası, Credit Suisse First Boston (London), Lehman Brothers (London), Merrill Lynch (London) and later the Access Turkey Fund. Mr. Dölen has been serving as a Deputy General Manager at Halk Invest being responsible for Investment Consultancy, Research and International Affairs Units since 2<sup>nd</sup> of November, 2010.

## **BÜLENT SEZGİN** Deputy General Manager

Bülent Sezgin, born in Bandırma in 1975, graduated from the Department of Political Science and Public Administration at the Middle East Technical University in 1997. Starting his career at Esbank T.A.Ş. as a Management Trainee in 1997, he worked for İktisat Portföy Yönetimi A.Ş., Pozitif Menkul Değerler A.Ş., and M&A International GMBH in various positions. Having joined Halk Invest as a Corporate Finance Unit Manager in 2011, Mr. Sezgin has been working as a Deputy General Manager of Halk Invest since 2012 being responsible for Mergers & Acquisitions and Consultancy, Equities and Debt Securities Markets and Treasury Units.

## **NİL MÜHÜR** Deputy General Manager

Nil Mühür, born in Izmir in 1972, completed her high school education at Izmir Bornova Anatolian High School before graduating from the Department of Econometrics, Faculty of Economic and Administrative Sciences at Dokuz Eylül University in 1993. In the same year, she started a program at the T.C. Ziraat Bankası School of Banking and started working at the Izmir Branch of Securities of T.C. Ziraat Bankası A.Ş. as a specialist after her graduation in 1994. Afterwards, she served as a manager in Ziraat Yatırım Menkul Değerler A.Ş. and various brokerage houses. Ms. Mühür has been serving as a Deputy General Manager of Halk Invest for the last 5 years, being responsible for Marketing and Corporate Communication, Organized Markets, Leveraged Transactions and Alternative Distribution Channels.

# Macroeconomic Outlook ”

## Major Economic Developments in 2013

|                                                                                                                                                                                             |                                    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| USA reached a compromise on fiscal cliff issue                                                                                                                                              | 1 <sup>st</sup> of January, 2013   |
| Initial Public Offering of Halk REIC                                                                                                                                                        | 13/14/15 February 2013             |
| International credit rating agency, Standard & Poor's, upgraded Turkey's long term credit rating from BB to BB+.                                                                            | 27 <sup>th</sup> of March, 2013    |
| ISE – BIST Conversion                                                                                                                                                                       | 5 <sup>th</sup> of April, 2013     |
| Turkey paid final instalment of its debts to the IMF                                                                                                                                        | 14 <sup>th</sup> of May, 2013      |
| Moody's upgraded Turkey's credit rating to "Investment Grade"                                                                                                                               | 16 <sup>th</sup> of May, 2013      |
| FED Chairman Ben Bernanke mentioned tapering for the first time in case of a stable economic recovery, ushering a new era for global markets marked by increased volatility                 | 22 <sup>nd</sup> of May, 2013      |
| Gezi Park protests took place, raising tensions in domestic political arena                                                                                                                 | 31 <sup>st</sup> of May, 2013      |
| First verbal intervention by CBRT on global volatility, stating that short term additional monetary tightening may be considered when necessary                                             | 31 <sup>st</sup> of May, 2013      |
| CBRT announced details of additional monetary tightening                                                                                                                                    | 11 <sup>th</sup> of June, 2013     |
| Following FED meeting, it was announced that bill purchases might be reduced towards the end of the year                                                                                    | 19 <sup>th</sup> of June, 2013     |
| End of a market: VOB İzmir Vadeli İşlem ve Opsiyon Borsası A. Ş., brought together with Borsa İstanbul                                                                                      | 5 <sup>th</sup> of August, 2013    |
| Shutdown of US Government as US Congress failed to compromise on budget                                                                                                                     | 1 <sup>st</sup> of October, 2013   |
| US President Barack Obama nominated Janet Yellen as the new FED Chairman                                                                                                                    | 9 <sup>th</sup> of October, 2013   |
| Secondary Public Offering of Emlak Konut REIC                                                                                                                                               | 6/7/8 November 2013                |
| Appointment of Janet Yellen's to the FED was approved by the Senate                                                                                                                         | 21 <sup>st</sup> of November, 2013 |
| FED started tapering, cutting bill purchases by US\$ 10 billion                                                                                                                             | 18 <sup>th</sup> of December, 2013 |
| NASDAQ OMX Grup and Borsa İstanbul A.Ş. signed an agreement on market leader technology and consultancy services to Borsa İstanbul, and NASDAQ OMX purchasing a 5% stake in Borsa İstanbul. | 31 <sup>st</sup> of December, 2013 |

The FED took action which confounded general expectations by reducing bond purchases in its December meeting as a response to the continuing signs of a recovery in the US economy.

The central banks of developing countries, in particular, proactively increased interest rates in a bid to balance increased financial volatility and bring stability back to the financial markets again.

**2013 was a year in which the tide of global growth moved in favour of developed countries. Growth in developing countries, on the other hand, lost momentum in 2013.**

It can be claimed that the US economy, which plays a crucial role in the global economy, enjoyed the best outlook in the world in 2013 - although the pace and quality of its growth performance have been called under question.

The acceleration which started in the problematical US housing market in the third quarter of 2012 was accompanied by increases in employment and consumer spending. After the FED meeting, held on 19<sup>th</sup> of June, 2013, the Chairman Ben Bernanke's declaration that "we may terminate the bond purchase program in 2014" affected pricing in all capital markets around the world. In the USA, yields on the 10-year bond increased from 1.60% to 3.05%. Risky assets were repriced against the backdrop of increased interest rates.

Contrary to expectations, in its September meeting, the FED decided to continue its bond purchase program, at an amount of US\$ 85 billion per month. In doing so, it prevented a significant political dilemma which could have precipitated a crisis. The storm which broke out over the debt ceiling and the wrangling over the budget followed vindicated the FED's decision. On 1<sup>st</sup> of October, the Federal Government shut down all offices except for health and other essential functions, with a total of 800,000 given compulsory and unpaid leave. The USA Federal Government underwent its 17<sup>th</sup> shutdown since 1976.

Despite a chaotic atmosphere during debt the ceiling negotiations, the debt ceiling was increased in a last minute agreement.

The FED again confounded expectations and decided to reduce its bond purchases after a solution to the budget conundrum and debt ceiling had been reached and the public's positive reaction to the appointment of the FED's new chairman, Janet Yellen, as well as the signs of a recovery in the US economy.

Developed economies remained strong in response to this decision, which can be seen as the first step towards an exit from the current wave of expansionary monetary policies. On the other hand, financial volatility increased significantly in those emerging economies affected by internal fragilities, such as politics, inflation and the current account deficit.

The central banks of developing countries, in particular, proactively raised interest rates in an effort to balance increased financial volatility and bring stability back to the financial markets.

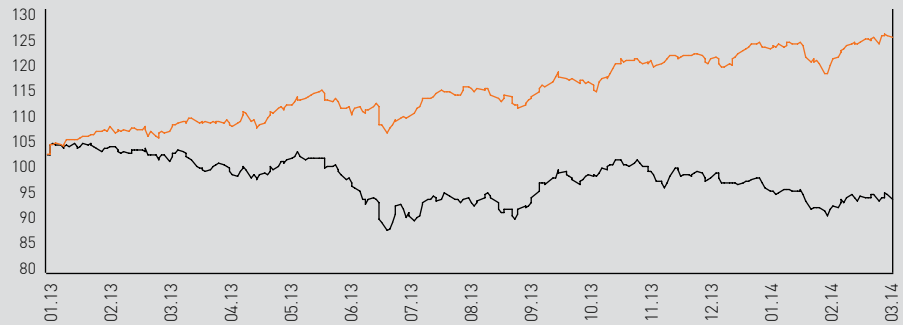
The main dynamics are sustainability of the growth and the improvement of the application of monetary tightening policies undertaken by the central banks of developed economies, principally the FED, which has a more comfortable outlook regarding inflation. In particular, the improvement towards the 6.5% unemployment target in the USA and the increase in non-agricultural employment were leading indicators that determined trends in the global economy.

## MSCI Indexes

MSCI Emerging Markets Index (USD)

MSCI Developed Markets Index (USD)

(31.12.2012)=100



The fact that Turkey's sovereign rating was raised to investment grade by two international credit rating agencies represents an important development.

### ABENOMICS

The Liberal Democratic Party government in Japan, which has been led by Shinzo Abe, has been deploying every means at its disposal in its monetary and fiscal policy to reach sustainable growth and free the country from deflation. These activities bring a new notion to economic literature: ABENOMICS.

Kuroda, the Chairman of Bank of Japan, who has the same views, supported the capital markets by expanding the asset purchase program to apply this notion. As a result of this, more than half of the inflation target was achieved.

### The European Central Bank...

Although European Central Bank decreased interest rates in May 2013 by increasing liquidity, the region failed to achieve the desired acceleration in growth. Banking, liquidity, budget deficits, unemployment rates and the low level of investments are the major problems on the continent.

### Reform policy in China

In China, the world's second largest economy, the pro-reform new leadership of the Communist Party preferred to implement a sustainable growth model whose basis is not only monetary policy but also public policy - thus preventing a hard landing in the economy.

### The global economy in 2014...

The normalization process in the global economy is expected to continue in 2014, with expansionary policies being replaced by tightening.

Sustaining reliable and stable signs of recovery in the US economy - which the leading force in the global economy - will indicate that this process is healthy. The first important test regarding the power of the US economy will come at the end of the first quarter with the growth figures for the quarter - where a slowdown in the economy would have been expected due to the harsh winter weather in the first months of the year. Mixed signals from Europe indicate that it will not be easy for the European Central Bank to leave its low interest rate cycle.

### Turkey - an investment grade country

The fact that Turkey's sovereign rating was raised to investment grade by two international credit rating agencies represents an important development. However, this was followed by financial volatility which was caused by concerns over the prospect of monetary tightening being implemented by the central banks of developed economies.

The CBRT started to apply additional monetary tightening in 2013 in response to the increased volatility in financial markets as it sought to balance the volatility in exchange rates and interest rates.

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## 4%

Having grown by 4% in the first nine months of 2013, the Turkish economy exhibited a moderate slowdown in the last quarter of the year in line with the increased financial volatility.

As well as the concerns regarding global monetary policies, internal political tensions also caused a significant increase in volatility in exchange rates and interest rates. The Lira rate approached 2.40 against the dollar while the benchmark interest rate reached 11%. However, as the CBRT increased interest rates in its extraordinary meeting in January 2014, volatility in financial indicators decreased.

### Policy change at the CBRT

In 2012, the CBRT had been applying a policy which foresaw low interest rates and macro prudential measures. The CBRT started to apply additional monetary tightening in 2013 in response to the increased volatility in financial markets as it sought to balance the volatility in exchange rates and interest rates.

The monetary policy approach, which is based on the diversification of instruments and liquidity management showed a tendency toward being simpler, more understandable and more predictable due to the rise in inflation in Turkey and the general move towards the tighter monetary policies globally.

The annual rate of inflation, which had dipped to below 6.2% before the global financial volatility started in May, increased to 7.4% at the end of year due to the depreciation of the TL and pressure from food prices.

### 4% growth

Having grown by 4% in the first nine months of 2013, the Turkish economy exhibited a moderate slowdown in the last quarter of the year in line with the increased financial volatility. Private and public spending could be considered the drivers of the growth in 2013, although the increase in inventories also contributed to growth.

The negative trend in gold trade led to a widening in the current account deficit. The current account deficit, excluding gold, exhibited a more moderate trend.

### The Turkish economy in 2014...

In line with restrictive effect of volatility in global capital flows on domestic demand, the rate of growth in 2014 is expected to fall behind the level seen in 2013. The expected slowdown in growth and the depreciation of the Turkish Lira may support the improvement in the

## GDP - Emerging Markets

— GDP Growth- Emerging Markets (annual change)  
 — GDP Growth- Turkey (annual change, right axis)  
 (31.12.2012)=100





The BIST 100 index ended the year down by 28% on the back of the increased political tensions as well as the concerns regarding global liquidity.

current account deficit. Additionally, any easing in the negative impact of the gold trade would also contribute to this improvement.

On the other hand, inflation has exceeded expectations due to pressure from food prices, the depreciation of the Turkish Lira and tax hikes. While a slowdown in domestic demand would effectively limit price increases, stability in exchange rates and a moderation in food prices would be imperative for a permanent improvement in the inflation outlook.

The CBRT raised interest rates in the first month of the year in a bid to limit the negative reflections of increased risk perceptions on both global and domestic markets on inflation and macroeconomic stability. The CBRT also declared that it would maintain its monetary tightening in case of an additional deterioration in inflation, and warned that global fluctuations would cause a permanent deterioration in domestic financial indicators. Moreover, in a global conjuncture marked by an inclination to normalise monetary policies, there is a tendency to be more transparent and predictable by reducing instrument diversification and seeking a clearer policy rate.

#### **The performance of the markets and different asset categories in 2013**

When 2013 is evaluated with respect to the performance of the markets, it can be claimed that it was a period of recovery for equities in developed countries. The MSCI developed markets

index increased by 25% last year, with the S&P500 - which is followed as a global risk barometer - and the German DAX index posting gains of 30% and 25%, respectively. Japan's Nikkei 225 index notched up the highest performance among developed countries, with a 57% return.

On the other hand, the MSCI emerging markets index decreased by 20% in dollars with the sales of risky assets in the second half of 2013, amid mounting indicators signalling an end to the abundance in global liquidity.

The BIST 100 index ended the year down by 28% on the back of the increased political tensions as well as concerns regarding global liquidity.

The Dollar index (DXY), which started 2013 just below 80, completed the first half of the year with a 4.3% increase. In the second half of the year the index increased by 0.5%, after having declined largely on the back of the appreciation of the Euro.

Among precious metals, while gold, silver and platinum all depreciated in 2013, palladium prices increased. Brent oil prices ended the year at over US\$ 110/bbl - an immaterial decline compared to the end of 2012. Prices of precious metals and energy moved in line with global demand, the liquidity outlook and expectations regarding the Chinese economy.

## An Evaluation of Operations in 2013”

2014 will be a year of a **transition to a new phase** and achieving a dynamic improvement following the completion of new projects, the additional momentum gained and the completion of a radical HR transformation in 2013.

Halk Invest, which has reached its objectives one at a time, realised Turkey’s biggest secondary public offering through a capital increase ever.

The concept of "The Right Decision - Today's Right Decision, the Future's Return" is determined for corporate identity.

### **Corporate Communication**

Efforts to add value to the Halk Invest brand in 2013 became more corporate and they were updated. Activities, views and evaluations made within this context were crystallized and made clear. As of the end of the year, the Corporate Identity project, the most visible element of the brand, was conducted to "accurately" reflect the brand's values as a whole.

The Concept of "The Right Decision; Today's right decision for tomorrow's return" was determined for corporate identity

As part of this project, activities have been undertaken as part of the transition to new concept designs which are up to date and which will increase customer satisfaction at Halk Invest branches.

Another project in 2013 involves the design, publication and distribution of the Aizonoi Excavation Booklet, which presents the Aizonoi excavation site. The booklet is sponsored by Halk Invest.

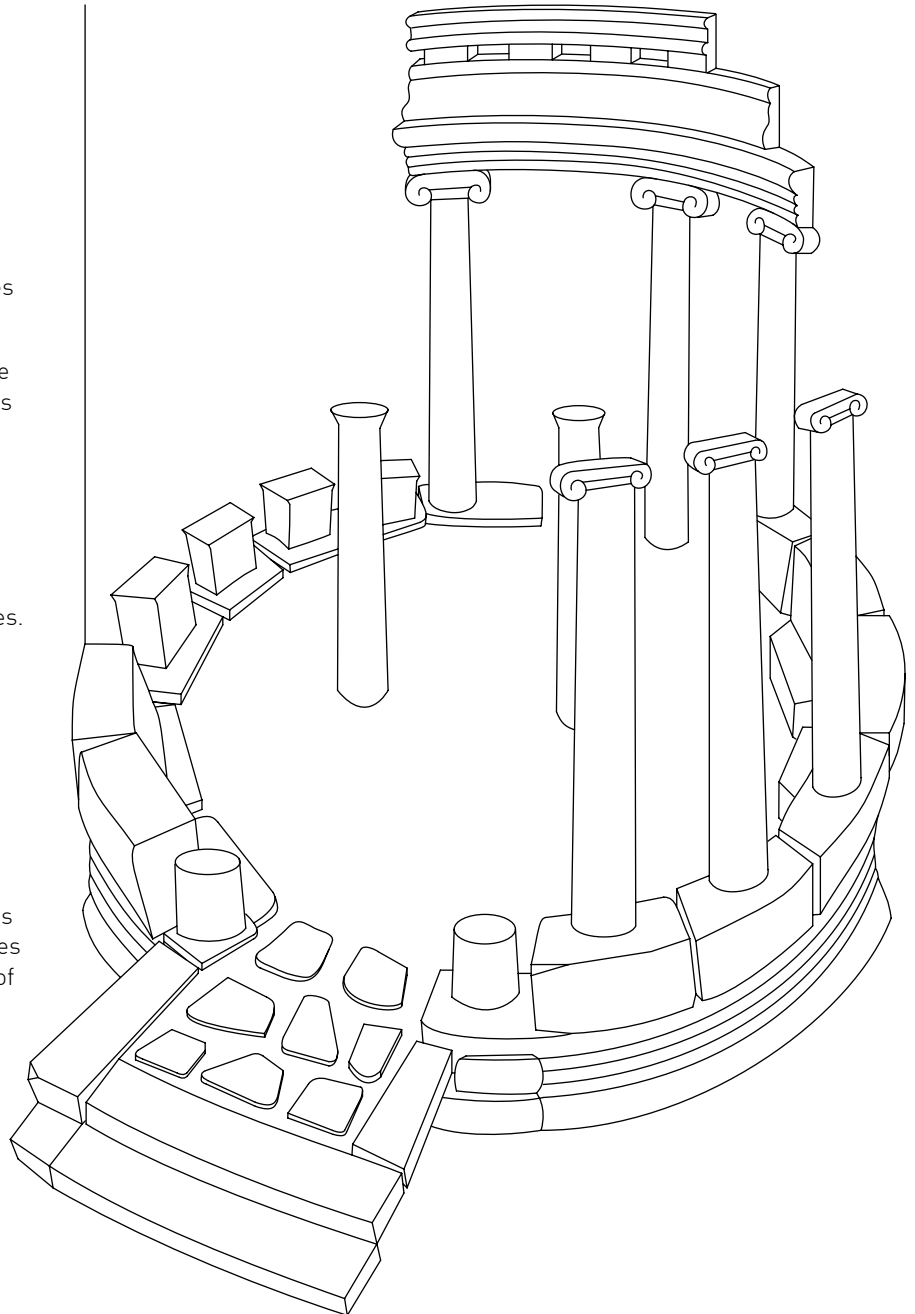


## Corporate Social Responsibility

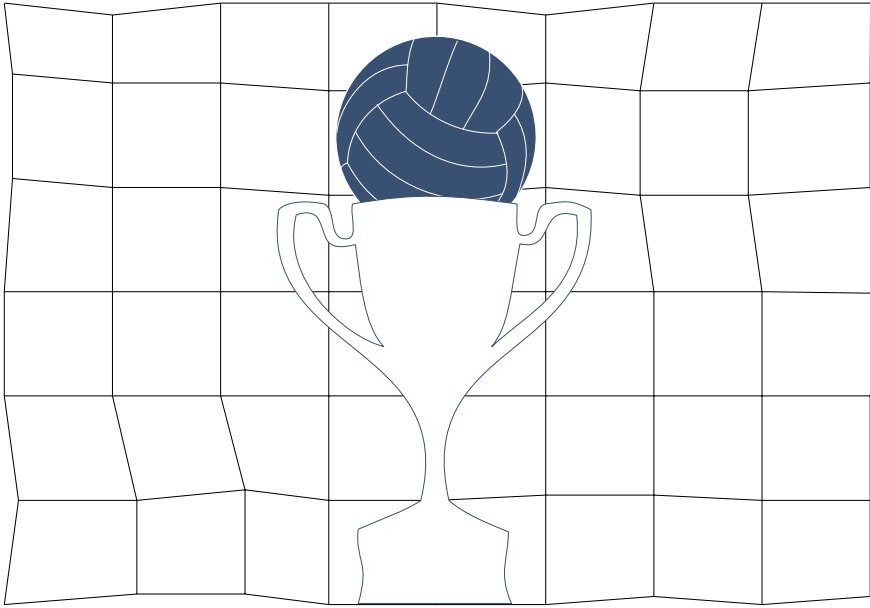
The 2013 realizations pave the way for Halk Invest to reach a new phase in the strategic development process. This phase is the period in which institutionalisation will be supported by concrete activities and visuals.

Besides, Halk Invest aims to be the leader in all fields where its activities require. Halk Invest also ensures that benefits are shared with society through social responsibility projects which will bring social benefit in line with the Company's corporate social responsibilities. The best example of this is the support extended to AIZANOI excavations. The ancient city of AIZANOI was located in Cavdarhisar, Kutahya and it is accepted that the ancient city had the world's first stock market.

Halk Invest's unwavering aim is to fulfil its social responsibilities to the public within the scope of accurately planned strategies which are in line with the Company's fields of activity.



Another area of social responsibility for Halk Invest is sports. The Company is the official sponsor of the volleyball team of Türkiye Halk Bankası A.Ş. Sports Club, as part of its support for the development of sports in Turkey.



### **Halkbank Volleyball Team**

Halkbank Volleyball team won the 2013 Men's CEV Cup Finals and became the champion. Halkbank Volleyball Team was the first Turkish team to win the CEV Cup.

### **My Money and Me**

In line with the principles of expanding the capital base and ensuring sound customer relations based on efficiency and trust, Halk Invest supports Investor Training Projects which were conducted

by the Turkish Capital Markets Association with the following purposes:

- establishing a culture of saving and investment in society,
- utilizing savings in efficient areas.

Halk Invest blazed a new trail by collecting the highest institutional investor demand ever received in the domestic corporate during the public offering of Emlak Konut Real Estate Investment Trust in 2013.



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With the renewed Customer Relations Management System (CRM), the marketing functions of sales teams became measurable. It also set the stage for the internalization of the performance based work approach.

## Marketing

Halk Invest achieved important results with respect to marketing activities during 2013. The Company increasingly offered services to its retail customers and qualified institutional customers with its diversified products and services.

### New applications in corporate and retail marketing functions

Halk Invest intensified and differentiated its marketing activities in the split between retail and corporate operations in 2013.

Halk Invest attracted the highest level of institutional investor demand ever seen in the domestic corporate markets in our country during the public offering of Emlak Konut Real Estate Investment Trust, which was held on 6<sup>th</sup> - 8<sup>th</sup> of November, 2013.

One of the important developments with respect to marketing activities was the start of systematic measurement. With the renewed Customer Relations Management System (CRM), the marketing functions of sales teams became measurable. It also paved the way for the adoption of the performance based work approach.

### Customer specific activities

As a function of its marketing activities, Halk Invest conducts customer and sector analyses and develops product packages when offering customer specific solutions. Within this context, preliminary work has been initiated on customer segmentation, which will be put into practice following

the implementation of the Know Your Customer (KYC) rule in the new Capital Market Law and its supporting communiqués.

Presentation of values according to which business lines are created, to target masses at appropriate channels with appropriate designs is an important goal for marketing.

### Main functions of the marketing activities

In order to reach the budget targets with revenues from intermediary activities as a whole, the main functions of the marketing activities include the following:

- coordinating the sales and marketing activities of the sales teams,
- enhancing synergies in capital market products and services between Halkbank, which is the main shareholder of Halk Invest,
- establishing organic ties in cooperation with Halkbank, complying with the criteria defined in the new Capital Market Law.

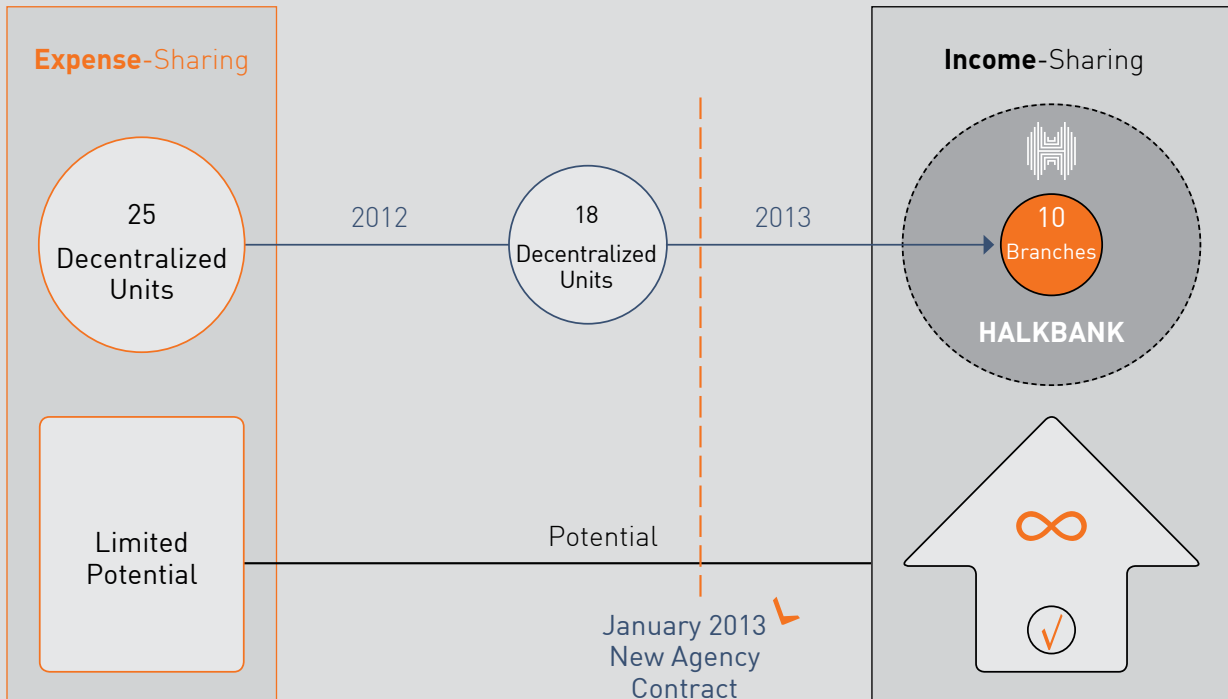
Product promotion activities, the design of new products, services and work areas on the basis of needs and recommendations of business lines and Halkbank's feedback and activities aimed at increasing investor awareness of capital market instruments were the key topics of 2013. Within this context, four different Investor Conferences were organized for the first time in 2013 in Istanbul and Ankara. A special service was offered to Halkbank's corporate and commercial customers.

# 10 Halk Invest Branches ”

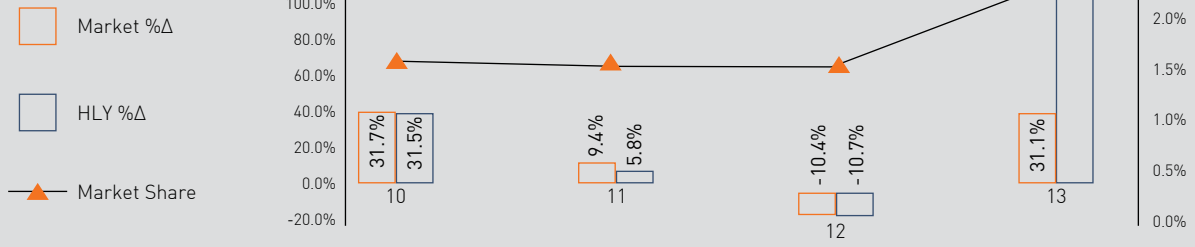


Halk Invest has two branches each in İstanbul and Ankara.

## Halkbank-Halk Invest Coordinated Capital Market Activities Project



## Halk Invest Trading Volume



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# 53%

An average of TL 58.5 million in credit was extended to customers every day in 2013, representing growth of 53% YoY, following the 8.5% YoY increase in 2012.

## Brokerage Services

**Brokerage services, which constitute the largest source of revenues for brokerage houses, represent one of Halk Invest's main business lines.**

Brokerage Services include the intermediation of retail, institutional and/or collective investment firms' purchase and sales transactions. In today's brokerage services, the spotlight is on infrastructure which enables quick order delivery, in periods measured in nanoseconds, and which constitute 75% of buying and selling transactions in the world. Brokerage services will be shaped with systems based on pace.

Halk Invest closely follows projects conducted with the world's leading technology infrastructure providers and stock exchanges that are specialised on this issue in the process of transition from Istanbul Stock Exchange (ISE) to Borsa İstanbul (BIST). Halk Invest seeks to provide applicability and efficiency regarding the steps that will be taken accordingly.

Halk Invest aims to carry out customers' purchase and sales transactions quickly and reliably, and to set itself apart with its service quality through effectiveness in the order delivery process.

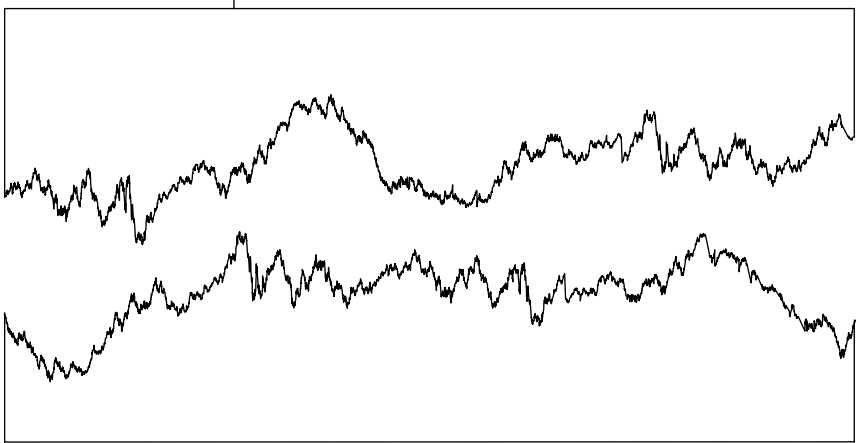
### A 52.7% increase in the average daily credit amount in Security Purchase Credit

With its strong capital structure, Halk Invest is able to meet its customers' demand for margin trading in compliance with its credit policies.

The daily average credit amount extended to customers in 2013 reached TL 58.5 million, marking 53% YoY growth following the 8.5% YoY growth in 2012.

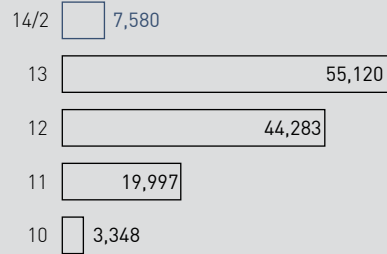
Interest revenues from margin trading increased grew by 25.8% in 2013 to reach TL 7.8 million.

51% of the credit provided is comprised of sales to institutional investors. In the coming period, the expansion in the institutional customer base as well as in retail sales capacity will be one of Company's objectives in brokerage services.





### Private Sector Debt Securities Issues (TL million)



Halk Invest improved its coefficient (beta coefficient), indicating the correlation with the volume of market in brokerage activities. The Company aims to maintain this improvement in the coming periods.

### Increased transaction volume and a higher share in the equity market

Halk Invest reached a transaction volume of TL 32,142 million in equity market activities in 2013 (2012 total: TL 15,624 million). Halk Invest was ranked 17<sup>th</sup> among 87 brokerage houses (having been ranked 27<sup>th</sup> among 88 brokerage houses in 2012). The Company increased its market share from 1.25% to 1.97%.

Halk Invest improved its coefficient (beta coefficient), indicating the correlation with the volume of market in brokerage activities. The Company aims to maintain this improvement in the coming periods.

### Halk Invest increased its transaction volumes and market shares in the debt securities market in 2013.

Halk Invest attained a transaction volume of TL 1,766 billion in the Outright Purchases and Sales Market, which accounts for 97% of transactions in the Borsa İstanbul Debt Securities Market. Halk Invest was ranked 11<sup>th</sup> among 53 brokerage houses which perform transactions in this market. While Halk Invest expanded its transaction volume by 95%, its ranking was increased by 2 steps.

### Fast development in private sector debt securities

The private sector debt securities market, which has exhibited rapid growth on the back of the recent conjuncture, is one of the business lines that Halk Invest focused.

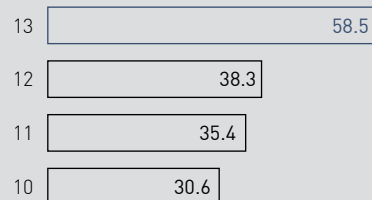
### Trading in Futures and Options Market

The coordination agreement between the BIST and NASDAQ OMX in the Futures and Options Market will support the improvement in infrastructure and know-how. Halk Invest dominates the electricity contracts in the Futures and Options Market.

Halk Invest posted trading volume of TL 15,918 million in 2012 and reached a 1.97% market share. It was ranked 18<sup>th</sup> among 84 brokerage houses.

In 2013, the Company posted trading volume of TL 18,807 million and reached a 2.25% market share, to be ranked 15<sup>th</sup> among 84 brokerage houses.

### Average Daily Lending Volume (TL million)



Halk Invest was the first state-funded brokerage house to perform leveraged trading.

## 5

Halk Invest's trading volume in FOREX exceeded US\$ 5 billion in 2013.

### Leveraged Trading (FOREX)

Halk Invest was the first state-funded brokerage house to perform leveraged trading.

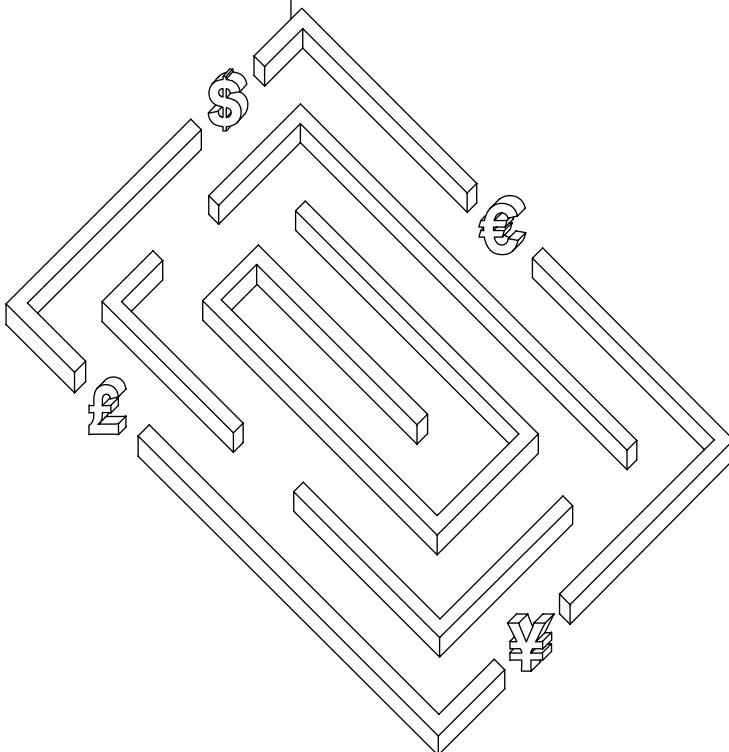
The deepening and diversification of the capital markets on a product basis is of high importance within the framework of the Istanbul Financial Centre action plan, which is one of Turkey's long term financial objectives. Leveraged trading is a new product for our country, but one which is growing quickly. It is expected that a series of rapid regulatory steps taken by Capital Markets Board will contribute significantly to the growth of the market.

Investors have the opportunity to invest in FOREX markets with limited leverage ratios under the Takasbank guarantee. This approach differentiates the Turkish market from the systems applied in other countries.

Leveraged trading covers, without physical delivery, the purchase and/or sale of foreign currencies, commodities, precious metals and other assets as determined by the Capital Markets Board, which are traded over a specific rate of leverage and are applied to the down payment made by investors.

Halk Invest started to offer FOREX services to its customers in June 2013. Halk Invest offers customers the opportunity to perform FOREX trading 24 hours a day, 5 days a week.

In the world's largest, most liquid and fastest growth market, the FOREX market, customers are able to send their orders from personal computers, smart phones or tablets over an electronic platform which is commonly used and preferred throughout the world. This platform is offered to customers free of charge.



In 2013, Halk Invest was ranked first among the consortium leaders in terms of equity public offerings with a 76.8% market share.

## Corporate Finance

Halk Invest is focused on positioning corporate finance operations as one of its core sources of revenue, and on the process of shifting to an investment banking function.

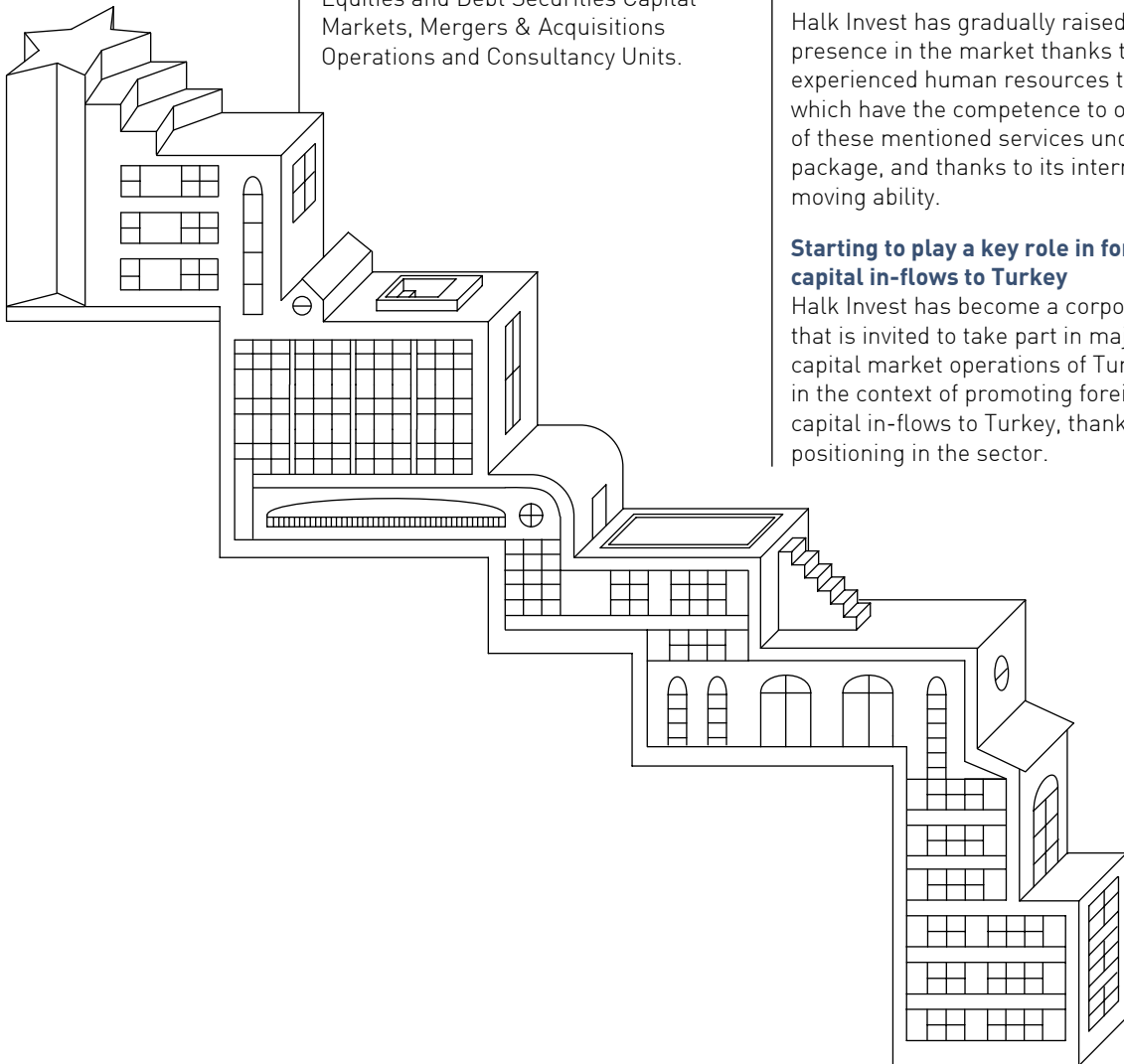
The corporate finance operations at Halk Invest were structured under the Equities and Debt Securities Capital Markets, Mergers & Acquisitions Operations and Consultancy Units.

Within the context of corporate finance operations, Halk Invest offers intermediary and consultancy services in corporate finance transactions, in areas including public offerings, the issue of borrowing instruments, international acquisitions and mergers, the formation of strategic corporations, joint ventures, and as a consultant in privatizations and block sales.

Halk Invest has gradually raised its presence in the market thanks to its experienced human resources team which have the competence to offer all of these mentioned services under a full package, and thanks to its international moving ability.

### Starting to play a key role in foreign capital in-flows to Turkey

Halk Invest has become a corporation that is invited to take part in major capital market operations of Turkey in the context of promoting foreign capital in-flows to Turkey, thanks to its positioning in the sector.



The secondary public offering of Emlak Konut was the largest capital market transaction in 2013 in Turkey, with a size of almost US\$ 2 billion. 20% of the shares were allocated to domestic individual and corporate investors and 80% to international corporate investors, with a total sales amount of TL 3.25 billion.

## 250.4

Halk Invest successfully completed the Initial Public Offering of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. - the 3<sup>rd</sup> largest public offering transaction of the year - as a consortium leader. The total sales amount in the process was TL 250.4 million.

Halk Invest successfully completed the Secondary Public Offering of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. (Emlak Konut) as a Domestic Coordinator and Domestic Consortium Leader which was the largest public offering transaction through a capital increase in the history of the Republic of Turkey.

Emlak Konut's secondary public offering, with a size of almost US\$ 2 billion, was the largest capital market transaction performed in Turkey in 2013, with 20% of the shares allocated to domestic individual and corporate investors and 80% to international corporate investors, with a total sales amount of TL 3.25 billion.

Furthermore, Halk Invest also successfully completed the Initial Public Offering of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. - the 3<sup>rd</sup> largest public offering transaction in the year - with the total sales amount of TL 250.4 million.

In 2013, Halk Invest was ranked first among the consortium leaders in terms of equity public offerings with a 76.8% market share through these two transactions

### Mergers & Acquisitions

In its Mergers & Acquisitions Operations, Halk Invest completed the sale of Omurga Park Gayrimenkul Yatırım A.Ş.'s 100% stake in Konya Kozağaç Varlıkları to Seha Yapı, one of İttifak Holding group companies. During the deal, which was closed in November 2013, Halk Invest acted as an executive consultant on the sales side.

### Issue of borrowing instruments

Halk Invest also undertook bank bonds and private sector bond issue transactions in 2013. In addition to the 6-month maturity bonds issued by Halkbank, the public offering of borrowing instruments for Girişim Faktoring and Fiba Faktoring were undertaken by Halk Invest.

The revenues generated from the corporate finance business line accounted for 20% of Halk Invest's total revenues in 2013.

Halk Invest broke new ground in the sector in 2013 with the Investor Conferences which were organized for Halkbank's customers in the corporate and commercial segments.

## Research

In addition to publishing research products, the Research Department broke new ground in the sector in 2013 with its investor conferences, which were organized for Halkbank's customers in the corporate and commercial segments.

The Investor Conferences were organized in Ankara and Istanbul for Halkbank customers 4 times during the year.

The "Outlook" reports, which have been published on a regular basis since 2012, serve as a source book for the requests of Turkey's leading corporations, CFOs of these corporations and individual and corporate customers that deal with cash management concerning the global economy and markets.

The Daily Bulletin is the major product of the Research Department, where the key news items of the day are presented in a summary form. The bulletin is a daily product summarizing the news on financial markets, equities, interest rates, macroeconomics, commodities, news, company and industry developments. The Daily Bulletin includes sections on the financial markets with a commentary, CBRT studies, company news items, major Public Disclosure Platform statements, equities, fixed income markets, FX and world markets, attempting to present an approach of making use of up-to-date technology in standards over the market norm.

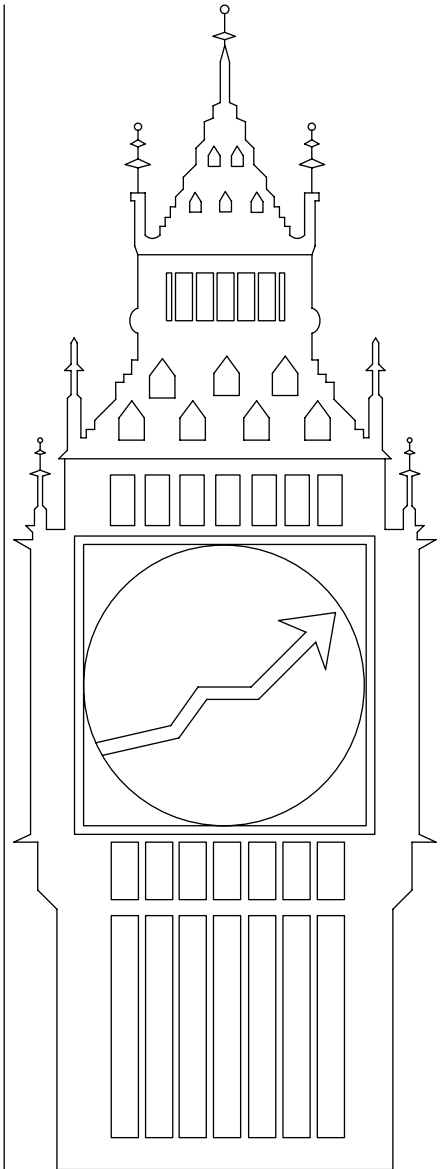
Halk Invest Ltd. London, a subsidiary of Halk Invest, is structured in a way that the corporate finance, international market support, ICM equities and macroeconomic research and sales functions will be undertaken in accordance with the Company’s strategic planning.

Halk Invest aims to be an investment company with global targets.

### International Structuring

Halk Invest Ltd. London, a subsidiary of Halk Invest, is structured in a way that the corporate finance, international market support, ICM equities and macroeconomic research and sales functions will be undertaken in accordance with the Company’s strategic planning, while being located primarily to function as an international representative for T. Halk Bankası A.Ş. The legal approval process of the representative activities was completed by the local regulatory and supervisory authorities.

This structure is also expected to provide international investors with the opportunity to purchase Turkish Assets in 2014, in addition to the existing channels.



# 60%

Almost 60% of investment transactions are undertaken through electronic platforms at Halk Invest.

## Information Technologies

**Capital market is a business line in which technology is used intensively and time is measured in nanoseconds.**

The Halk Invest Information Technologies Unit has an important function in ensuring customer satisfaction. The fact that the services offered are secure as well as fast and continuous requires infrastructure investments.

The Information Technologies Unit at Halk Invest undertakes necessary measures to offer products and services in line with customers' expectations. The Information Technologies Unit continuously works to improve these measures.

The "Disaster Prevention-Recovery System", which includes occupational safety and continuity investments, was established and this project was realized in 2013.

The Information Technologies Unit is responsible for the control of indirect expenses. Transferring business flows to an electronic platform and providing

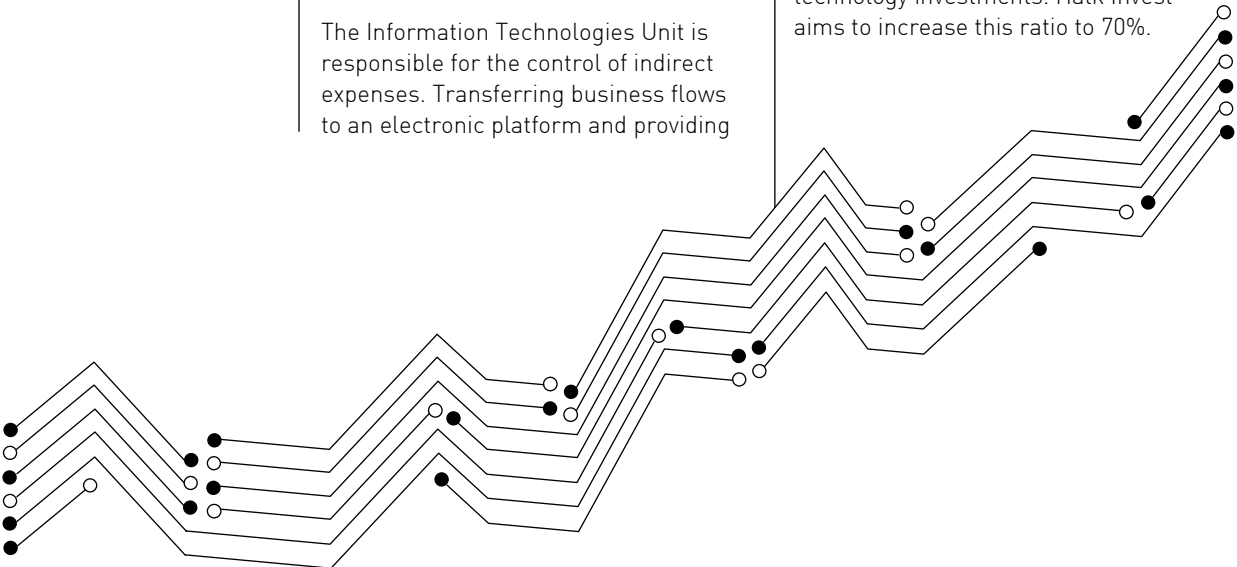
information flows and measurements through electronic platforms enable cost savings in terms of personnel. It also minimizes paper usage in the context of environmental awareness.

The Information Technologies Unit at Halk Invest closely follows business partnerships which are about to be established between Borsa İstanbul (BIST) and the world's leading infrastructure providers and stock exchanges that are expert in these subjects.

Halk Invest is focused on concurrently offering its customers any kind of infrastructural solution which will be developed by Borsa İstanbul.

Approximately 60% of investment transactions are conducted through electronic platforms at Halk Invest.

This ratio, which is well above the sector average, is a result of Halk Invest's technology investments. Halk Invest aims to increase this ratio to 70%.



Halk Invest gradually forwarded its small segment customers who receive services from the branches to Alternative Distribution Channels (ADC), in line with its targets of cutting operating costs, intensifying the use of technology and increasing efficiency.

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## 200,000

Halk Invest, which offers service to more than 200,000 customers, took the decision to appear on social media as well in 2013. Accordingly, the Company established corporate accounts on appropriate platforms.

### Alternative Distribution Channels

#### A faster service for small segment customers through ADC

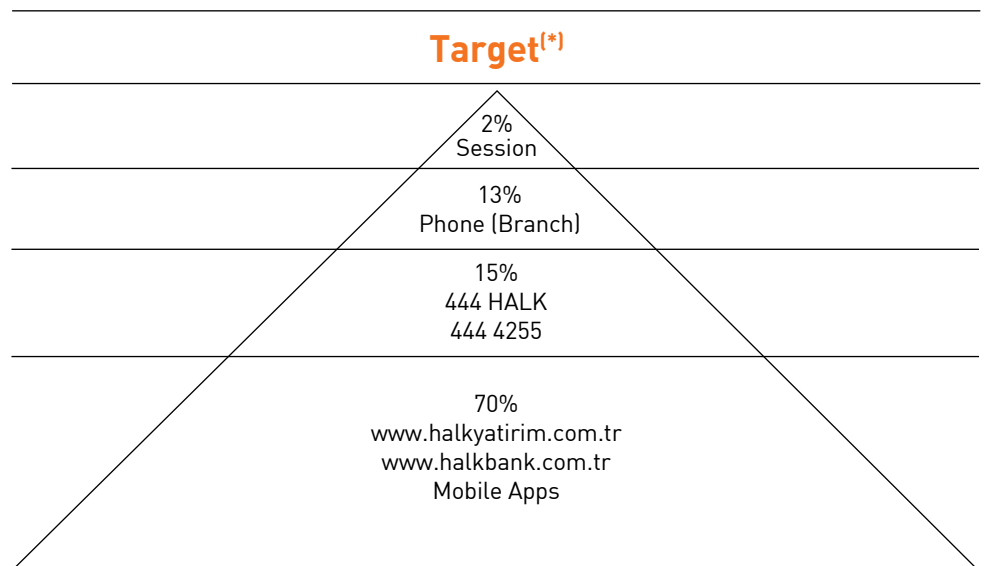
Halk Invest gradually forwarded its small segment customers who receive services from the branches to Alternative Distribution Channels (ADC), in line with the target of cutting operating costs, intensifying the use of technology and increasing efficiency.

Alternative Distribution Channels aim to offer a fast and high standard service to the small portfolio customer segment through the Investment Dialogue service (444 4255 - 444 HALK) and are responsible for content management of the website and online branches, which are the Company's visible element in the electronic platforms within the context of business development function.

#### Halk Invest on social media

Using social media is today a standard situation for each person from each age group.

Halk Invest, which offers service to more than 200,000 customers, took the decision to appear on social media as well in 2013. Accordingly, the Company established corporate accounts on appropriate platforms. Communication accounts which were created by Halk Invest on Facebook, Twitter and YouTube aim to communicate both with customers and also those who wish to use these platforms, within the context of ethical values.



(\*) Ideal distribution of number of trading customers



# 123

The number of employees at Halk Invest reached 123 as of 31<sup>st</sup> of December, 2013.

## Human Resources

Being aware of the strategic importance of qualified human resources in the finance business, Halk Invest continuously strives to improve and develop its human resources management.

In order to make use of existing human resources in the most effective and productive way, Halk Invest's Human Resources Policy aims to improve the individual and team performances by improving quality processes and systems, and to offer professional environment and career enhancing opportunities to its employees.

At Halk Invest;

- hiring,
- career planning,
- performance management processes,
- training programs for personal and professional improvement of the employees

are planned and undertaken on a productivity basis.

Career planning is developed by taking into consideration employees' actual performance, behavioural and personal competencies, professional knowledge and abilities and their managerial capabilities within the framework of human resources regulations.

The remuneration policy at Halk Invest is based on a pay scale which is primarily prepared taking into account the business values for each and every position, and also the today's conditions. Each year, the pay scale is re-arranged in January and applied to the wages of the personnel based on the results of their periodic performances.

Total 37 persons joined the Halk Invest family in 2013, and the number of total personnel had reached 123 by 31<sup>st</sup> of December, 2013. On average, employees at Halk Invest were 35 years of age and had worked at the Company for 4.1 years.

On the basis of educational background, 91% of Halk Invest's personnel are graduated from universities, while 9% are graduated from high schools.

Conducting internal audit activities and establishing and sustaining effective and applicable internal audit and risk management systems at Halk Invest are among the management’s top priorities.

Halk Invest fulfils its legal obligations with its inspections and internal audit activities. The Company actively works in the design of business flow processes, redesigning them when necessary and taking pre-emptive action to deal with risks before they arise. Halk Invest sets up systems with respect to these processes.

### Internal Audit, Risk Management and Compliance

A risk management and compliance mechanism which monitors and controls any risks which are found as part of its activities as well as creating internal controls, and which is in line with the activities’ scopes and structures, which is applicable to changing conditions, which is effective and sufficient and which covers all units, is a legal obligation for brokerage houses.

Halk Invest fulfils legal obligations with its inspections and internal audit activities. The Company actively designs business flow processes, redesigns them when necessary and foresees risks before they arise. Halk Invest sets up systems with respect to these processes.

The following activities are among the Internal Audit’s functions: Conducting activities effectively and which efficiently comply with the law, regulations and the Company’s policies and rules, monitoring and evaluating the main fields of activity and operational issues, undertaking unbiased and objective

reporting activities in a timely manner to the various levels of management within the context of ethical values through control points in a manner which upholds the reliability and integrity of the financial reporting system, and obtaining information in a timely manner.

Conducting internal audit activities, creating and sustaining effective and applicable internal audit and risk management systems in Halk Invest are among the management’s top priorities.

Following-up, reporting and analysis of transactions are carried out in order to prevent future risks arising in the Company with respect to its debit-credit balance, inventories, interest rates or market risks; and external audits are performed periodically by independent audit firms, contributing to the improvement in the internal risk culture.

# About Halkbank”

Halkbank offers the rapid and effective services required by its customers, thanks to the synergy based collaborations it enters through partnerships.

## 1938

Halkbank was established in 1938 in order to support craftsmen and artisans and to bolster permanent economic development. The Bank's main strategy has not changed in 75 years.

Halkbank sees each craftsman, farmer and owner of any small, middle or large sized enterprise which produces and creates employment as a business partner, and is willing to support its business partners with its all financing resources, in good times and in bad times.

Halkbank focuses on growth in deposits in order to enhance the propensity for saving in our country. At the same time, Halkbank has also unwaveringly maintained its support for the real sector and has been able to achieve high efficiency.

Today Halkbank is a publicly traded company with a market value approaching to TL 15 billion. After its public offering in 2007, the Bank conducted its secondary public offering in November 2012. These public offerings were the largest and most successful public offerings held in our country.

48.9% of the Bank's shares are free floating. The Bank has utilized its capital efficiently and maintained its position of commanding the highest return on equity among its competitors.

Halkbank remains a mission bank by diversifying its support to SMEs and the country's economy. It also continues to fulfil all requirements of modern and international banking.

Halkbank is one of Turkey's pioneer and respected brands, which has been growing constantly for 75 years.

Halkbank has a partnership portfolio consisting of 21 companies which provide products and services in a range of different fields to customers, as well as advanced banking activities.

The companies constituting Halkbank's partnership portfolio fulfil the following as a part of the bank's partnership policy:

- enriching the product and service mix offered to retail and corporate customers in different service lines, by creating added value. They also create cross and complementary products and sales opportunities.
- creating good relations with other enterprises or developing and sustaining current relations.
- decreasing service production costs by increasing operational efficiency.
- providing offering qualified service required by its customers.

### **Halkbank's Subsidiaries**

- Halk Sigorta A.Ş.
- Halk Hayat ve Emeklilik A.Ş.
- Halk Invest Menkul Değerler A.Ş.
- Halk Banka A.D., Skopje
- Halk Gayrimenkul Yatırım Ortaklığı A.Ş.
- Halk Finansal Kiralama A.Ş.
- Halk Portföy Yönetimi A.Ş.
- Halk Faktoring A.Ş.
- Bileşim Alternatif Dağıtım Kanalları ve Ödeme Sistemleri A.Ş.

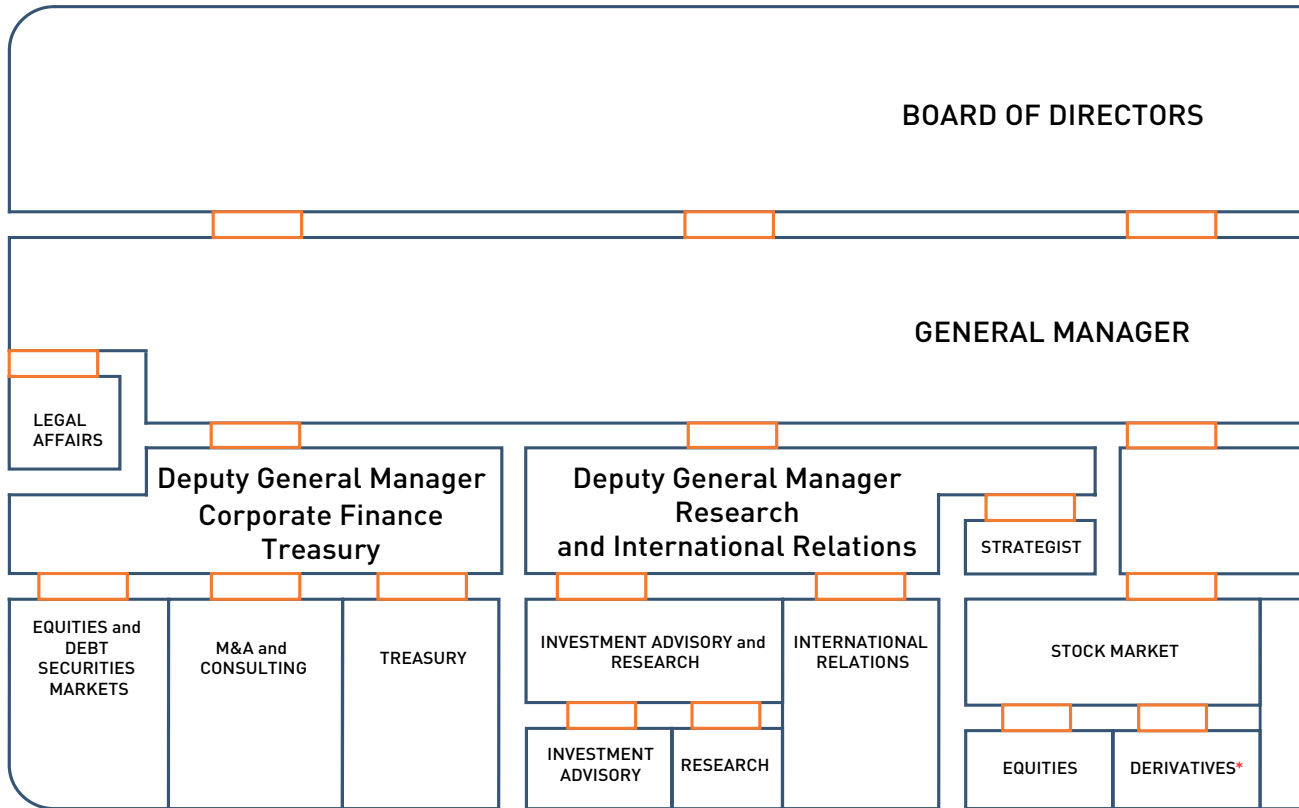
# Organization Chart

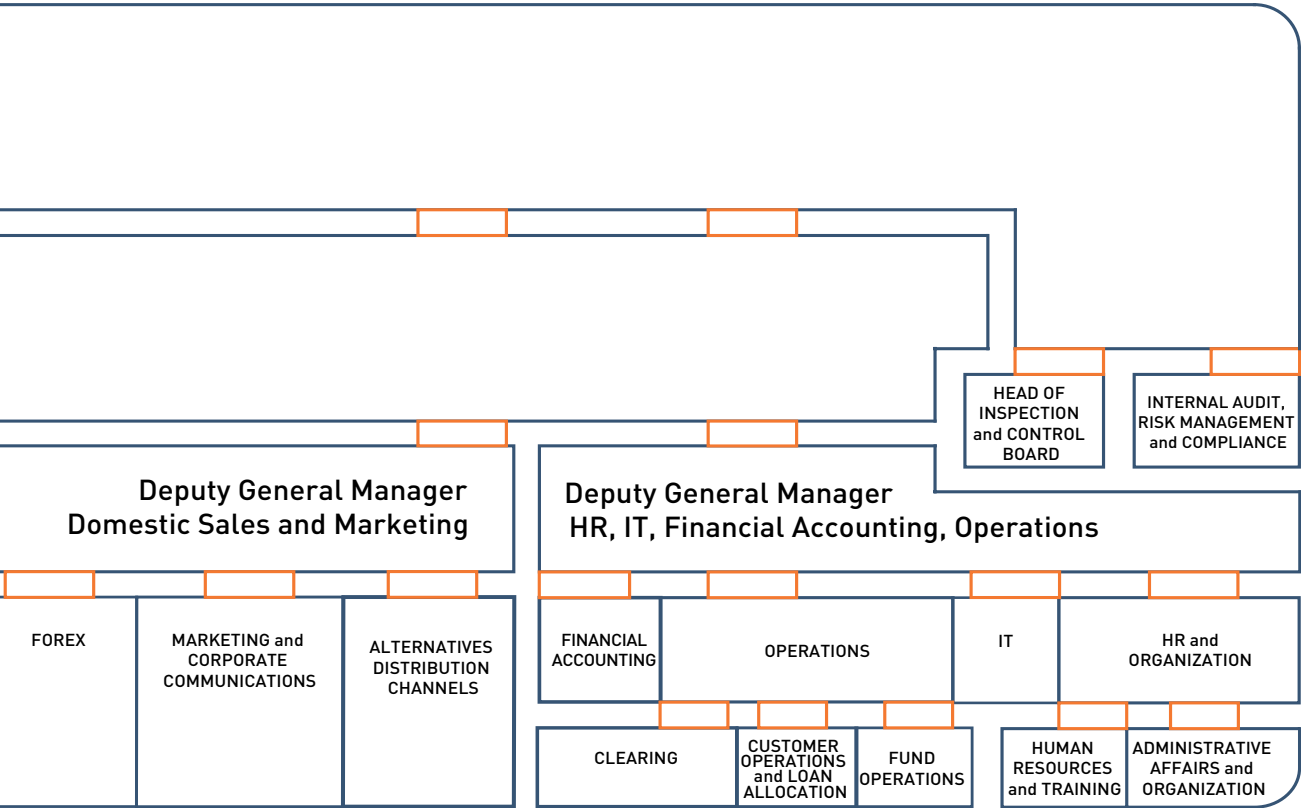
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# Compliance with the Principles of Corporate Governance”

Introduction

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# Compliance with the Principles of Corporate Governance

## 1. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

The Company is not listed. Within the framework of its responsibility, the Company undertakes compliance activities devised within the context of Corporate Governance Communiqué published in the Official Gazette No: 28871 dated 3<sup>rd</sup> January, 2014.

## SECTION I- SHAREHOLDERS

### 2. SHAREHOLDERS RELATIONS UNIT

The shareholder relations function is executed by the Financial Operations and Reporting Unit.

### 3. EXERCISE OF SHAREHOLDERS' RIGHT TO OBTAIN INFORMATION

In addition to providing information to shareholders regarding all of the Company's accounts and financial structures in Shareholders General Assembly meetings, information is also provided by the Company's Financial Operations and Reporting Unit in interim periods in the 3<sup>rd</sup>, 6<sup>th</sup> and 9<sup>th</sup> months of the year, either verbally or in written form, and by e-mail or in written mail when requested. The demand for appointment of an independent auditor is not regulated in the Company's Articles of Association.

### 4. INFORMATION ON ANNUAL GENERAL MEETINGS

2012 Annual General Meeting was held on 9<sup>th</sup> of April, 2013, without announcements or invitation ceremonies in accordance with the exemptions set out in Article 370 of the Turkish Commercial Code (its equivalent is Article 416 in the new Turkish Commercial Code No: 6102). Although the certain amount that will be paid from 2012 net profit will become definite during the payment date, it was decided that the Company personnel would be paid the maximum total gross cash dividend of TL 873,012.94 (a sum of TL 820,247.02 was in fact paid to the personnel), and the decision to use TL 9,000,000 which was to be paid to the shareholders as 1<sup>st</sup> and 2<sup>nd</sup> dividends as capital increase was taken.

### 5. VOTING RIGHTS AND MINORITY RIGHTS

The Company's activities and management are undertaken by the Board of Directors which comprises of at least 5 (five) members that are appointed by the General Assembly in accordance with the provisions of the Turkish Commercial Code. The Board of Directors appoints a chairman and vice chairman in its first meeting.

### 6. DIVIDEND POLICY AND DIVIDEND TIME

There are no privileges attached to any shareholders in terms of participating in the Company's net profit. According to the Article 21 of the Company's Articles of Association, on the Detection and Distribution of Profit;

The remaining amount, after having deducted all expenses, amortization and depreciation and the necessary provisions from the revenues in the fiscal period, constitutes the net profit of that period. The net profit calculated as set out above is reserved and distributed accordingly;

- a- First, 5% of the profit is set aside as a primary legal reserve and financial liabilities incumbent on the company are deducted.
- b- From the remainder, 5% of the paid-in capital is set aside as a First Dividend.
- c- Contingent on being accepted in the Annual General Meeting and on the condition that the amount and ratio are stated in the Annual General Meeting; dividend may be distributed to members of the Board of Directors and Company Personnel, provided that the amount does not exceed a multiple of 3 times their gross monthly income.
- d- The remaining amount is calculated and distributed in accordance with the decisions taken in the Annual General Meeting.
- e- The provisions of Paragraph 2, Sub-clause C of Article 519 of the Turkish Commercial Code are reserved.

## 7. TRANSFER OF SHARES

The Company's Articles of Association do not contain any restrictions regarding the transfer of shares.

## SECTION II-PUBLIC DISCLOSURE AND TRANSPARENCY

### 8. COMPANY DISCLOSURE POLICY

The Company shares its financial and managerial information on its website. In addition, the information is also published on TSPAKB (The Association of Capital Market Intermediary Institutions of Turkey) website through the Public Disclosure Form.

The Company uses Registered Electronic Mail (KEP), safe electronic mail service, where the sender and recipients are identified, the message time and content may not be changed and which is legally valid in the event of a dispute.

The Central Registry System shares financial and administrative information through the e-company platform with a system which allows content on the companies' own pages, which will be published in the website in accordance with Article 1524 of the Turkish Commercial Code, to be uploaded in the e-company portal with a secure electronic signature and time stamp, which ensures that such content is stored on a safe platform, ensures that content is ready to access, that content can be archived safely, and ensuring that information is accessible from a single point.

Shareholders may access information whenever necessary by electronic mail and/or in a written form. Moreover, the Company's periodical Financial Reports and announcements are available on [www.kap.gov.tr](http://www.kap.gov.tr).

### 9. DISCLOSURE OF MATERIAL EVENTS

None.

### 10. COMPANY WEBSITE AND ITS CONTENT

The company has a website. Customers may carry out equity and derivatives exchange trading, portfolio monitoring and printing and following market prices by accessing the Company's website at [www.halkyatirim.com.tr](http://www.halkyatirim.com.tr). Customers may also access research reports, a blog page, special FX pages, an contingency plan and general information concerning the company. Requests, complaints and job applications may be submitted through the website, which also provides links to the Company's Facebook and Twitter accounts.

Furthermore, Company's financial information is also available on the Company website.

### 11. DISCLOSURE OF THE ULTIMATE CONTROLLING SHAREHOLDER(S)

The Company's shareholders are legal entities.

### 12. PUBLIC DISCLOSURE OF INSIDERS

No such list is disclosed, since the Company is not listed.



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## **SECTION III-STAKEHOLDERS**

### **13. INFORMING THE STAKEHOLDERS**

Stakeholders may access information concerning the Company at any time by e-mail and/or in a written form through the Company's website.

### **14. STAKEHOLDERS' PARTICIPATION IN MANAGEMENT**

Stakeholders receive a written invitation for participation in General Meeting of Shareholders.

### **15. HUMAN RESOURCES AND REMUNERATION POLICY**

Recognizing that qualified manpower carries strategic importance in the financial services sector, Halk Invest constantly works toward continuous improvement and development of its human resource management. Designed to make the most efficient and productive use of the existing human resource, the Company's human resource policy is intended to constantly improve individual and team performance through processes and systems that enhance quality, while also offering a professional environment and career development opportunities to its employees.

At Halk Invest Human Resources, recruitment, career planning, performance management processes and the training programs for the personal and professional development of employees are designed and executed on the principle of productivity.

Career planning is formulated within the frame of the human resources regulation and in view of the relevant employee's performance during the period, his/her behavioral and personal competencies, professional knowledge and skills, as well as managerial capability.

Performance assessment is made at least once a year, employing a system erected on the principles of openness and objectivity, and aims at establishing whether the employee is adequate in his/her job and to identify improvement areas, to determine his/her skills and potential and to steer his/her career planning.

Salary management at Halk Invest is carried out for each position individually and relies on a salary scale prepared objectively first on the basis of business values, as well as the current conditions. The salary scale is revised in January every year, and applied to the employees' salaries in accordance with their periodic performance results.

The training policy is designed to give employees in every title category the opportunity to attend training and workshop programs held in and/or out of Turkey, in an effort to ensure personal and professional development, taking career planning and the required qualifications into consideration.

In the coming period, Halk Invest intends to carry out human resource planning aimed at expanding its workforce by way of recruiting new employees, as well as new investments seeking to enhance the productivity of its employees. According to the staff planning made in line with the Company's objectives, it is targeted to recruit qualified personnel for the positions that are needed to be filled.

### **16. ORGANIZATION CHART**

An organization chart is provided on page 34.

## INFORMATION ABOUT RELATIONS WITH CUSTOMERS AND SUPPLIERS

An organizational structure setting out the positions of specialised personnel is created in order to meet customer demands. In 2013 “Investor Conferences” for institutional customers were organized in Istanbul and Ankara. General economic developments were evaluated and expectations shared in these conferences. A rapid and accurate service was provided to customers, to the greatest extent possible, thanks to electronic means of communication. The Company started to use an e-invoice application in 2013. Our company continued to undertake new technological investments and efforts to increase customer satisfaction.

## 17. SOCIAL RESPONSIBILITY

The Company develops and conducts social responsibility policies to increase the value of the “Halk” brand and establish a positive impression in public. Within this context, the Company has been an official sponsor of Türkiye Halk Bankası Sports Club - volleyball branch - in a bid to support Turkish sports. As of 2013, in order to protect historical and cultural values, in the belief that the past guides the future, the Company started to sponsor the Aizanoi Ancient City Stock Market Region (Macellum-round structure) which was the world’s first stock market, located in Cavdarhisar, Kutahya. Finally, in line with expanding the capital to the shareholder base, improving the free float, increasing the number of minority shareholders and to support customer relations which are based on efficiency and trust, the Company is a sponsor of the “Investor Training Projects”, conducted by the Turkish Capital Markets Association to encourage a culture of saving and investment in society, and to utilize savings in efficient areas.

## SECTION IV- BOARD OF DIRECTORS

### 18. STRUCTURE AND COMPOSITION OF BOARD OF DIRECTORS AND INDEPENDENT MEMBERS

|                       |                              |
|-----------------------|------------------------------|
| İsmail Hakkı İMAMOĞLU | Chairman                     |
| Olçay DOĞAN           | Vice Chairman                |
| Murat ÇETİNKAYA       | Board Member-General Manager |
| Levent EREN           | Board Member                 |
| Sami BACANAK          | Board Member                 |
| Kadir YAYLAK          | Board Member                 |
| Ayşegül SAYIN         | Board Member                 |
| Özlem MEMİŞ           | Board Member                 |
| Serdar SÜRER          | Board Member                 |

### 19. QUALIFICATIONS OF BOARD MEMBERS

Sub-clause 2 of Article 9 titled “Board of Directors and its Duration” in the Company’s Articles of Association states: “One more than half of the board of directors must be graduated from university and must have qualifications mentioned in the capital markets legislation.”

### 20. MISSION, VISION AND STRATEGIC OBJECTIVES OF THE COMPANY

The Board of Directors meets monthly or in interim periods when necessary, and evaluates the extent that the Company has reached its objectives, and reviews its activities and past performance.

Halk Invest maintains the activities aimed at reaching its objectives as a team which is customer focused, market oriented, dynamic and innovative, complying with the principles of corporate governance and ethical values, while upholding the principle of working objectively and without bias.

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## **21. RISK MANAGEMENT AND INTERNAL AUDIT SYSTEM**

The Company prepares daily reports and conducts analyses of its transactions made in the markets, the debit-credit balance, inventories, interest rates and market risks in order to prevent financial risks.

Continuous controls are performed in all business lines including the headquarters and external units efficiently, regularly within the context of law, rules and company policies and in compliance with the management strategy, for integrity of accounts and records, for reliability of information, to prevent and detecting mistakes, incidents of misleading practices and fraud. The Company's internal audit system is composed of board of inspectors and internal control, risk management and compliance units.

## **22. DUTIES AND RESPONSIBILITIES OF BOARD OF DIRECTORS AND MANAGERS**

In Article 10 titled Duties and Responsibilities of Board of Directors in the Company's Article of Association:

"Representation and management of the Company belongs to the Board of Directors. The Board of Directors reserves the right to reach decisions concerning all activities regarding the Company's purposes and scopes of activity, with the exception of authorizations which were granted solely to the General Meetings of Shareholders.

The Board of Directors regulates, fulfils and may transfer duties regarding the management and representation within the framework of Articles 367 and 370 of the Turkish Commercial Code.

The Board of Directors is authorized to transfer management completely or partially with an internal circular it prepares. The Board of Directors is required to hold the representation power of at least one board member when it transfers the representation power to one, or more than one, executive member or third party as managers.

## **23. ACTIVITY PRINCIPLES OF BOARD OF DIRECTORS**

The Board of Directors meets monthly or in interim periods when necessary, and evaluates the extent that the Company has reached its objectives, while evaluating its activities and past performance. The agenda of the Board of Directors is created within the context of proposal offered by the Company management. The Board of Directors took 101 decisions in the 2013 activity period. None of these decisions received any dissenting views. As the Board of Directors was informed about the agenda items in advance, no decisions were taken where there was any dissenting vote or veto.

## **24. PROHIBITION OF MAKING TRANSACTIONS WITH THE COMPANY AND COMPETITORS**

In the 2013 activity period, the prohibition of making transactions with the company and competitors was applied to the board members.

## **25. CODES OF CONDUCT**

Codes of Conduct are applied in the Company.

## **26. NUMBER, STRUCTURE AND INDEPENDENCE OF COMMITTEES ESTABLISHED IN THE BOARD OF DIRECTORS**

No committee has been established yet in the Board of Directors. As the activities regarding compliance with the principles of corporate governance continue, the Corporate Governance Committee has not been established in the Board of Directors, either.

## **27. FINANCIAL BENEFITS AND CASH BENEFITS OR BENEFITS IN KIND PROVIDED TO THE BOARD MEMBERS AND EXECUTIVE MANAGERS**

Monthly attendance fee is paid to the Board Members with the approval of the General Assembly. Total amount of financial benefits, cash benefits and benefits in kind, insurance and similar warrants are TL 1,921,974 during 2013.

Halk Yatırım Menkul Değerler Anonim Şirketi

# Financial Statements as at and for the Year Ended 31 December 2013 with Independent Auditors' Report

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# Independent Auditor's Report



Akis Bağımsız Denetim ve Serbest  
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To the Board of Directors of Halk Yatırım Menkul Değerler Anonim Şirketi

We have audited the statement of financial position of Halk Yatırım Menkul Değerler Anonim Şirketi (the "Company") as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

## ***Management's Responsibility for the Financial Statements***

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error and/or fraud.

## ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Independent Auditing Standards promulgated by the Capital Markets Board of Turkey. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

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

# Independent Auditor's Report

## **Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Halk Yatırım Menkul Değerler Anonim Şirketi as at 31 December 2013 and of its financial performance and its cash flows for the period then ended in accordance with the TAS (Note 2).

## **Emphasis of matter**


As stated in the notes to financial statements numbered 23, the Company provides a significant portion of its gross profit income and financial income from related parties.

## **Reports on independent auditor's responsibilities arising from other regulatory requirements**

In accordance with Article 402 of the Turkish Commercial Code ("TCC") No. 6102; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the year ended 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

Istanbul, 17 February 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ



Erdal Tıkmak  
Partner

## **Additional Paragraph for Convenience Translation to English**

As explained in Note 2.1, the accompanying financial statements are not intended to present the financial position and results of its operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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Halk Yatırım Menkul Değerler Anonim Şirketi

**Statement of Financial Position (Balance Sheet) as at  
31 December 2013**

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

|                                           |       | Audited            | Audited            |
|-------------------------------------------|-------|--------------------|--------------------|
|                                           | Notes | 31 December 2013   | 31 December 2012   |
| <b>ASSETS</b>                             |       |                    |                    |
| <b>Current assets</b>                     |       |                    |                    |
| Cash and cash equivalents                 | 3     | 268.901.325        | 151.792.848        |
| Financial investments                     | 4     | 20.129.609         | 51.168.564         |
| Trade receivables                         | 5     | 290.316.225        | 206.506.940        |
| - Trade receivables from related parties  | 23    | 2.071.341          | 144.045            |
| - Other trade receivables                 | 5     | 288.244.884        | 206.362.895        |
| Other receivables                         | 8     | 666.419            | 531.218            |
| Prepaid expenses                          | 10    | 168.503            | 109.770            |
| Current tax assets                        | 21    | 1.167.132          | 60.882             |
| <b>TOTAL CURRENT ASSETS</b>               |       | <b>581.349.213</b> | <b>410.170.222</b> |
| <b>Non current assets</b>                 |       |                    |                    |
| Financial investments                     | 4     | 5.385.061          | 3.633.011          |
| Investments in equity accounted investees | 9     | 1.643.589          | 1.309.338          |
| Tangible assets (net)                     | 11    | 1.681.588          | 1.898.042          |
| Intangible assets (net)                   | 12    | 304.619            | 398.199            |
| <b>TOTAL NON CURRENT ASSETS</b>           |       | <b>9.014.857</b>   | <b>7.238.590</b>   |
| <b>TOTAL ASSETS</b>                       |       | <b>590.364.070</b> | <b>417.408.812</b> |
| <b>LIABILITIES</b>                        |       |                    |                    |
| <b>Current liabilities</b>                |       |                    |                    |
| Financial liabilities                     | 6     | 263.467.755        | 147.811.690        |
| Trade payables                            | 5     | 249.500.192        | 203.518.538        |
| - Trade payables to related parties       | 23    | 829.391            | 7.890              |
| - Other trade payables                    | 5     | 248.670.801        | 203.510.648        |
| Other payables                            | 8     | 769.541            | 536.715            |
| Derivative instruments                    | 7     | 26.849             | --                 |
| Deferred tax liabilities                  | 21    | 248.992            | 442.862            |
| Short term provisions                     |       | 1.951.147          | 710.683            |
| - Employee benefits                       | 14    | 1.529.229          | 396.815            |
| - Provisions                              | 13    | 421.918            | 313.868            |
| <b>TOTAL CURRENT LIABILITIES</b>          |       | <b>515.964.476</b> | <b>353.020.488</b> |
| <b>Non current liabilities</b>            |       |                    |                    |
| Long term provisions                      |       | 263.542            | 284.846            |
| Employee benefits                         | 14    | 263.542            | 284.846            |
| <b>TOTAL NON CURRENT LIABILITIES</b>      |       | <b>263.542</b>     | <b>284.846</b>     |

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



Halk Yatırım Menkul Değerler Anonim Şirketi

**Statement of Financial Position (Balance Sheet) as at  
31 December 2013**

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

|                                                                                             |       | Audited            | Audited            |
|---------------------------------------------------------------------------------------------|-------|--------------------|--------------------|
|                                                                                             | Notes | 31 December 2013   | 31 December 2012   |
| <b>Equity</b>                                                                               | 15    |                    |                    |
| <b>Share capital</b>                                                                        |       | 55.000.000         | 46.000.000         |
| Restricted reserves                                                                         |       | 5.725.924          | 5.112.915          |
| Accumulated other comprehensive income that<br>are or may be reclassified to profit or loss |       | 3.704.704          | 2.362.315          |
| -Fair value reserves                                                                        |       | 3.704.704          | 2.362.315          |
| Accumulated other comprehensive income that<br>will never be reclassified to profit or loss |       | 5.655              | --                 |
| -Other gains/(losses)                                                                       |       | 5.655              | --                 |
| Retained earnings                                                                           |       | 1.015.239          | 569.272            |
| Profit for the year                                                                         |       | 8.684.530          | 10.058.976         |
| <b>TOTAL EQUITY</b>                                                                         |       | <b>74.136.052</b>  | <b>64.103.478</b>  |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                                         |       | <b>590.364.070</b> | <b>417.408.812</b> |

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

Halk Yatırım Menkul Değerler Anonim Şirketi

# Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2013

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

|                                                                               |       | Audited           | Audited           |
|-------------------------------------------------------------------------------|-------|-------------------|-------------------|
|                                                                               |       | 1 January -       | 1 January -       |
|                                                                               | Notes | 31 December 2013  | 31 December 2012  |
| Sales revenue                                                                 | 16    | 267.443.299       | 177.774.111       |
| Cost of sales                                                                 | 16    | (234.667.927)     | (153.987.697)     |
| <b>GROSS PROFIT</b>                                                           |       | <b>32.775.372</b> | <b>23.786.414</b> |
| General administrative expenses                                               | 17    | (19.667.501)      | (14.215.492)      |
| Marketing expenses                                                            | 17    | (5.789.132)       | (3.612.050)       |
| Other operating income (from operating activities)                            | 19    | 955.096           | 723.592           |
| Other operating expenses (from operating activities)                          | 19    | (91.061)          | (6.556)           |
| <b>OPERATING PROFIT</b>                                                       |       | <b>8.182.774</b>  | <b>6.675.908</b>  |
| Share of income/(expense) of equity accounted investees                       | 9     | 337.296           | 119.080           |
| <b>OPERATING PROFIT BEFORE FINANCE COSTS</b>                                  |       | <b>8.520.070</b>  | <b>6.794.988</b>  |
| Finance income                                                                | 20    | 23.307.909        | 13.261.255        |
| Finance costs                                                                 | 20    | (21.027.826)      | (7.500.592)       |
| <b>PROFIT BEFORE TAXATION</b>                                                 |       | <b>10.800.153</b> | <b>12.555.651</b> |
| Tax expense                                                                   |       |                   |                   |
| - Current income tax expense                                                  | 21    | (2.311.669)       | (1.999.482)       |
| - Deferred tax income/(expense)                                               | 21    | 196.046           | (497.193)         |
| <b>PROFIT FOR THE YEAR</b>                                                    |       | <b>8.684.530</b>  | <b>10.058.976</b> |
| <b>OTHER COMPREHENSIVE INCOME</b>                                             |       |                   |                   |
| <b>Other comprehensive income:</b>                                            |       |                   |                   |
| <b>Items that are or may be reclassified to profit or loss</b>                |       |                   |                   |
| Change in fair value of available for sale financial assets                   |       | 1.342.389         | 2.362.315         |
| <b>Items that will never be reclassified to profit or loss</b>                |       |                   |                   |
| Other gains/(losses)                                                          |       | 7.069             | --                |
| Deferred tax benefit/charge for items never be reclassified to profit or loss |       | (1.414)           | --                |
| <b>TOTAL COMPREHENSIVE INCOME</b>                                             |       | <b>10.032.574</b> | <b>12.421.291</b> |

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

Halk Yatırım Menkul Değerler Anonim Şirketi  
**Statement of Cash Flows For the Year Ended  
31 December 2013**

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

|                                                                                                      |          | Audited                      | Audited                      |
|------------------------------------------------------------------------------------------------------|----------|------------------------------|------------------------------|
|                                                                                                      | Notes    | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
| <b>A. Cash flows from operating activities</b>                                                       |          | <b>16.481.265</b>            | <b>4.038.696</b>             |
| Profit for the year                                                                                  |          | 8.684.530                    | 10.058.976                   |
| <i>Adjustments for:</i>                                                                              |          |                              |                              |
| Depreciation and amortisation                                                                        | 17       | 963.472                      | 864.597                      |
| Adjustments related to provisions                                                                    |          | 1.407.921                    | 590.073                      |
| - Adjustments for provision expense for doubtful receivables                                         | 5        | 32.596                       | 20.460                       |
| - Adjustments for provision expense for severance pay liability                                      | 14       | 76.518                       | 383.245                      |
| - Adjustments for provision for unused vacations                                                     | 14       | 239.074                      | 94.986                       |
| - Adjustments for provision for personnel dividend premium                                           | 14       | 951.683                      | --                           |
| - Adjustments for other provisions                                                                   | 13       | 108.050                      | 91.382                       |
| Adjustments related to tax expense                                                                   |          | 2.115.623                    | 2.496.675                    |
| - Adjustments for income tax expense                                                                 | 21       | 2.311.669                    | 1.999.482                    |
| - Adjustments for deferred tax (income)/expense                                                      | 21       | (196.046)                    | 497.193                      |
| Adjustments related to interest (income)/expense                                                     |          | (10.999.534)                 | (9.517.438)                  |
| - Adjustments related to interest income                                                             | 20       | (31.071.468)                 | (16.811.517)                 |
| - Adjustments related to interest expense                                                            | 20       | 20.071.934                   | 7.294.079                    |
| Investments in equity accounted investees                                                            | 9        | (337.296)                    | (119.080)                    |
| Adjustments related to profit/loss reconciliation                                                    |          | 812.518                      | (2.292)                      |
| - Adjustments related to dividend income                                                             | 20       | (7.728)                      | (2.292)                      |
| - Adjustments related to bonus premium expense                                                       |          | 820.246                      | --                           |
| Changes in equity                                                                                    |          |                              |                              |
| Adjustments related to change in trade receivables                                                   |          | (83.841.881)                 | (129.439.884)                |
| Adjustments related to change in trade payables                                                      |          | 41.013.131                   | 157.812.117                  |
| Adjustments related to change in financial investments (short term financial assets)                 |          | 30.950.679                   | (38.785.133)                 |
| Adjustments related to other changes in equity                                                       |          | (21.991)                     | 300.191                      |
| <b>Cash flows from operating activities</b>                                                          |          |                              |                              |
| Interest received                                                                                    |          | 30.048.938                   | 12.426.917                   |
| Dividends received                                                                                   | 20       | 7.728                        | 2.292                        |
| Taxes paid                                                                                           |          | (3.357.037)                  | (2.249.570)                  |
| Vacation pay liability payments                                                                      | 14       | (58.343)                     | (65.197)                     |
| Employee termination benefit payments                                                                | 14       | (86.947)                     | (334.548)                    |
| Bonus premium payments                                                                               |          | (820.246)                    | --                           |
| <b>B. Cash flows from investing activities:</b>                                                      |          | <b>(903.442)</b>             | <b>(1.384.974)</b>           |
| Adjustments related to change in financial investments (long term financial assets)                  |          | (250.004)                    | (250.001)                    |
| Acquisitions of tangible assets                                                                      | 11       | (532.277)                    | (809.457)                    |
| Acquisitions of intangible assets                                                                    | 12       | (121.161)                    | (325.516)                    |
| <b>C. Cash flows from financing activities</b>                                                       |          | <b>95.610.980</b>            | <b>135.576.119</b>           |
| Financial liabilities                                                                                |          | 117.191.343                  | 142.569.167                  |
| Interest paid                                                                                        |          | (21.580.363)                 | (6.993.048)                  |
| <b>Net cash flows before effect of change in exchange rates on cash and cash equivalents (A+B+C)</b> |          | <b>111.188.803</b>           | <b>138.229.841</b>           |
| <b>D. Effect of change in exchange rates on cash and cash equivalents</b>                            |          | <b>--</b>                    | <b>--</b>                    |
| <b>Net change in cash and cash equivalents (A+B+C+D)</b>                                             |          | <b>111.188.803</b>           | <b>138.229.841</b>           |
| <b>E. Cash and cash equivalents at the beginning of the period</b>                                   | <b>3</b> | <b>145.389.425</b>           | <b>7.159.584</b>             |
| <b>Cash and cash equivalents at the end of the period (A+B+C+D+E)</b>                                | <b>3</b> | <b>256.578.228</b>           | <b>145.389.425</b>           |

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

Halk Yatırım Menkul Değerler Anonim Şirketi

## Statement of Changes in Equity For the Year Ended 31 December 2013

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

|                                                                               | Note | Paid-in<br>capital | Items that are or may be<br>reclassified to profit or loss |                    |
|-------------------------------------------------------------------------------|------|--------------------|------------------------------------------------------------|--------------------|
|                                                                               |      |                    |                                                            | Fair value reserve |
| 1 January 2012                                                                |      | 36.000.000         |                                                            | --                 |
| Transfers                                                                     |      | --                 |                                                            | --                 |
| Profit for the year                                                           |      | --                 |                                                            | --                 |
| Other comprehensive income                                                    |      | --                 |                                                            | 2.362.315          |
| - Change in fair value of available for sale<br>financial assets, net         | 15   | --                 |                                                            | 2.362.315          |
| <b>Total comprehensive income</b>                                             |      | --                 |                                                            | <b>2.362.315</b>   |
| Transfers from capital reserves and profit for the<br>year to paid-in capital |      | 10.000.000         |                                                            | --                 |
| <b>Balance at 31 December 2012</b>                                            |      | <b>46.000.000</b>  |                                                            | <b>2.362.315</b>   |
| 1 January 2013                                                                |      | 46.000.000         |                                                            | 2.362.315          |
| Transfers                                                                     |      | --                 |                                                            | --                 |
| Profit for the year                                                           |      | --                 |                                                            | --                 |
| Other comprehensive income                                                    |      | --                 |                                                            | 1.342.389          |
| - Remeasurement of reserve for employee<br>benefits' gain/(loss)              | 15   | --                 |                                                            | --                 |
| - Change in fair value of available for sale<br>financial assets, net         | 15   | --                 |                                                            | 1.342.389          |
| <b>Total comprehensive income</b>                                             |      | --                 |                                                            | <b>1.342.389</b>   |
| Transfers from capital reserves and profit for the<br>year to paid-in capital | 15   | 9.000.000          |                                                            | --                 |
| <b>Balance at 31 December 2013</b>                                            |      | <b>55.000.000</b>  |                                                            | <b>3.704.704</b>   |

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Financial Information

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

| Items that will never<br>be reclassified to<br>profit or loss |                     | Retained earnings    |                        |            | Equity |
|---------------------------------------------------------------|---------------------|----------------------|------------------------|------------|--------|
| Other gains/ losses                                           | Restricted reserves | Retained<br>earnings | Profit for<br>the year |            |        |
| --                                                            | 4.593.375           | 752.899              | 10.335.913             | 51.682.187 |        |
| --                                                            | 519.540             | 9.816.373            | (10.335.913)           | --         |        |
| --                                                            | --                  | --                   | 10.058.976             | 10.058.976 |        |
| --                                                            | --                  | --                   | --                     | 2.362.315  |        |
| --                                                            | --                  | --                   | --                     | 2.362.315  |        |
| --                                                            | --                  | --                   | 10.058.976             | 12.421.291 |        |
| --                                                            | --                  | (10.000.000)         | --                     | --         |        |
| --                                                            | 5.112.915           | 569.272              | 10.058.976             | 64.103.478 |        |
| --                                                            | 5.112.915           | 569.272              | 10.058.976             | 64.103.478 |        |
| --                                                            | 613.009             | 9.445.967            | (10.058.976)           | --         |        |
| --                                                            | --                  | --                   | 8.684.530              | 8.684.530  |        |
| 5.655                                                         | --                  | --                   | --                     | 1.348.044  |        |
| 5.655                                                         | --                  | --                   | --                     | 5.655      |        |
| --                                                            | --                  | --                   | --                     | 1.342.389  |        |
| 5.655                                                         | --                  | --                   | 8.684.530              | 10.032.574 |        |
| --                                                            | --                  | (9.000.000)          | --                     | --         |        |
| 5.655                                                         | 5.725.924           | 1.015.239            | 8.684.530              | 74.136.052 |        |

# Halk Yatırım Menkul Değerler Anonim Şirketi

## Notes to the Financial Statements

### As at and for the Year Ended 31 December 2013

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

#### 1 Organisation and operations of the Company

Halk Yatırım Menkul Değerler AŞ (the "Company") was established on 2 September 1997. The purpose of the Company is to perform capital market activities in accordance with its Article of Association and Capital Markets Law number 2499 as amended by Law number 3794.

The Company has the following certificates of authorisation from Capital Market Boards of Turkey ("CMB"):

- Intermediation for public offering,
- Intermediation for trading in securities,
- Repurchase agreements and reverse repo,
- Portfolio management,
- Investment advisory,
- Short selling, lending and borrowing of marketable securities,
- Purchase and sales of derivative transactions.
- Leveraged trading transactions

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

|                    | 31 December 2013 | 31 December 2012 |
|--------------------|------------------|------------------|
| T. Halk Bankası AŞ | 99,94%           | 99,94%           |
| Other              | 0,06%            | 0,06%            |
| <b>Total</b>       | <b>100,00%</b>   | <b>100,00%</b>   |

As at 31 December 2013, the Company has 123 employees (31 December 2012: 114). The Company operates with 10 branches (31 December 2012: 11). As of 31 December 2013 Balıkesir Branch of the Company is closed. With reference to agency agreement, all branches of T. Halk Bankası AŞ are agencies of the Company and there is commission sharing with these agencies.

Branch addresses of the Company are as follows:

Istanbul Branch: Halide Edip Adıvar Mah. Darülaceze Cad. No: 20 Zeminkat Şişli / İstanbul

Ankara Branch: Ziya Gökalp Cad. No: 5 Kızılay / Ankara

İzmir Branch: Cumhuriyet Bulvarı No: 45 Kat: 1 Pamuk Plaza Konak / İzmir

Göztepe Branch: Bağdat Cad. No: 251/A Pamir Apt. Göztepe/Kadıköy / İstanbul

Ulus Branch: Anafartalar Cad. No: 39 Kat: 5 Ulus / Altındağ-Ankara

Antalya Branch: Milli Egemenlik Cad. Elmalı Mah. 7. Sok. Kat:6 No:38 Antalya

Bursa Branch: Atatürk Cad. Hüzmen Apt. No:65 Osmangazi / Bursa

Adana Branch: Atatürk Cad. Pandora Sok. No:61/A Seyhan / Adana

Denizli Branch: Sırakapılar Mah. Saltak Cad. No:40/A Merkez/ Denizli

Samsun Branch: 19 Mayıs Mah. İstiklal Cad. No:71 Kat:2 İlkadım / Samsun

Halk Yatırım Menkul Değerler Anonim Şirketi  
**Notes to the Financial Statements**  
**As at and for the Year Ended 31 December 2013**

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

Details of the Company's associates are presented below:

| Company                  | Share (%) | Foundation and operation place | Main operation area  |
|--------------------------|-----------|--------------------------------|----------------------|
| Halk Portföy Yönetimi AŞ | 25        | Istanbul                       | Portfolio management |

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:

Halk Portföy Yönetimi AŞ

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 purpose of the Company is to operate in capital market activities in accordance with Capital Board Markets of Turkey.

**2 Basis of presentation of the financial statements**

**2.1 Basis of presentation**

**2.1.1 Statement of compliance**

The accompanying financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, "Basis for Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to the Communiqué, financial statements are prepared in accordance with Turkish Accounting Standards ("TAS") which is published by Public Oversight Accounting and Auditing Standards Authority ("POA"). TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

As per the 17 March 2005 dated resolution of the CMB, it was decided that the application of inflation accounting is no longer required for the companies operating in Turkey and preparing the financial statements in accordance with the CMB Accounting Standards beginning from 1 January 2005. Therefore, starting from 1 January 2005, TAS 29: "Financial Reporting in Hyperinflationary Economies", has not been applied in the financial statements.

The financial statements as at and for the year ended 31 December 2013 have been approved by the Board of Directors of the Company and authorised for issue as at 17 February 2014. General Assembly has the discretion of making changes in the accompanying financial statements after their issuance.

**2.1.2 The preparation of financial statements**

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

Halk Yatırım Menkul Değerler Anonim Şirketi  
**Notes to the Financial Statements**  
**As at and for the Year Ended 31 December 2013**

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

### **2.1.3 Functional and presentation currency**

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

### **2.1.4 Comparative information**

The accompanying financial statements are presented comparatively to determine the tendency in the financial position, performance and cash flows of the Company. If the presentation and reclassification of the financial statement items change, the prior year financial statements are reclassified accordingly to conform to the current year's presentation and the restatement is explained in the notes.

### **Restatement of prior period financial statements**

Based on decision numbered 20/670 taken by CMB on 7 June 2013, a new illustrative financial statements and guidance have been issued. The new illustrative financial statements and guidance are effective from interim periods ended after 31 March 2013, applicable for the companies that are subject to Communique on the Principles of Financial Reporting in Capital Markets. Based on these new illustrative financial statements, a number of changes have been made at the Company's financial statements. The reclassifications that are made at the Company's statement of financial position as at 31 December 2012 are as:

Prepaid expenses amounting TL 109.770 which were classified in other current assets is separately presented as prepaid expenses.

Prepaid taxes amounting TL 60.882 which were classified in other receivables is separately presented as current tax assets.

The reclassification that are made at the Company's statement of profit or loss and other comprehensive income for the year ended 31 December 2012 is as:

Other operating income amounting TL 955.096 has been reclassified as other operating income (from operating activities).

The Company adjusted the effects of the changes explained above in the statement of cash flows.

### **2.2 Changes in accounting policies, estimates and errors**

The material changes in accounting policies are applied on a retrospective basis and the comparative financial statements have been restated where applicable. The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

- TFRS 13 Fair value measurement (see note (i))
- TAS 1 Presentation of financial statements (Amendments) (see note (ii))
- TAS 19 Employee benefits (2011) (see note (iii))



Halk Yatırım Menkul Değerler Anonim Şirketi

# Notes to the Financial Statements

## As at and for the Year Ended 31 December 2013

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

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The nature and effects of the changes are explained below.

### *(i) Fair value measurement*

TFRS 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other TFRSs.

It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other TFRSs, including TFRS 7 Financial Instruments: Disclosures.

In accordance with the transitional provisions of TFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

### *(ii) Presentation of items of other comprehensive income*

As a result of the amendments to TAS 1, the Company has modified the presentation of items of other comprehensive income in its statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

The amendments to TAS 1 had no significant impact on the total profit or loss and other comprehensive income and assets and liabilities.

### *(iii) Employee benefits*

As a result of the amendments to TAS 19 (2011), all actuarial gains and losses are recognised in other comprehensive income.

Prior to these amendments, all actuarial gains and losses had been recognised in profit or loss. As the change in accounting policy does not have a significant impact on the comparative financial statements for the year ended 31 December 2012, they have not been restated.

## 2.3 Changes in accounting policies, estimates and errors

The preparation of the financial statements in conformity with accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Halk Yatırım Menkul Değerler Anonim Şirketi  
**Notes to the Financial Statements**  
**As at and for the Year Ended 31 December 2013**

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

The significant estimates and judgments used by the Company are included in the following notes:

Note 4 - Financial investments

Note 7 - Derivative liabilities

***Fair value measurement***

The Company's accounting policies and disclosures of financial and non-financial assets and liabilities measured at fair value requires.

Fair value, according to valuation techniques used is classified into the following levels:

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

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

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

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

Fair value measurements that use the notes are as follows:

Note 4 - Financial investments

Note 7 - Derivative liabilities

**2.4 New standards and interpretations not yet adopted as at 31 December 2013**

***2.4.1 Standards, amendments and interpretations to existing standards effective in 2013***

The Company applied all of the relevant and required standards promulgated by POA and the interpretations of POA as at 31 December 2013.

Halk Yatırım Menkul Değerler Anonim Şirketi

# Notes to the Financial Statements

## As at and for the Year Ended 31 December 2013

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

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### 2.4.2 New standards and interpretations not yet adopted as at 31 December 2013

As at 31 December 2013, there are new standards, amendments and interpretations which are not yet effective and are not early adopted by the Company in preparing the accompanying financial statements. Except for the below mentioned standards and interpretations, these new standards and interpretations do not cause significant effect on the accompanying financial statements.

TFRS 9, "Financial instruments", published as part of a broad project to replace TAS 39 "Financial Instruments: Recognition and measurement", deals with classification and measurement of financial assets. Per TFRS 9, the first phase of this project, aims to provide useful and relevant information to provide the parties using of the financial statements to make their own assessment about the uncertainty, terms and amount of the future cash flows of businesses by forming the principles related to reporting financial assets. TFRS 9 contains two primary measurement categories for financial assets: financials assets at amortised cost and financial assets at fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows that are solely the payments of principal and interest on principal outstanding. All other financial assets would be measured at fair value. It is noticed that the applications in TAS 39 for the hedge accounting and impairment of the financials assets will be retained.

TFRS 9 *Financial Instruments* could change the classification and measurement of financial assets and becomes effective for annual periods beginning on or after 1 January 2017.

### 2.5 Summary of significant accounting policies

#### 2.5.1 Accounting of revenue and expenses

##### Sales revenue and financial income

- **Brokerage services in capital markets:** The income obtained from the brokerage services is recognised in profit or loss at the transaction date. The brokerage services income are recorded daily to the profit or loss on an accrual basis until there is an estimate of the Company's management occurs related to the uncertainty of the collection.
- **Interest income:** Interests received from customers are presented in "Sales revenue" (Note 16), interests received from time deposits are presented in "Finance income from other operating activities" (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 lended under reverse repurchase agreements:** The terms of funds lended 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.

Halk Yatırım Menkul Değerler Anonim Şirketi  
**Notes to the Financial Statements**  
**As at and for the Year Ended 31 December 2013**

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

**Other**

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

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

Other revenue and expenses are recognised on accrual basis.

**2.5.2 Tangible assets**

Tangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at 31 December 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated depreciation and impairment losses.

Costs refer to expenditures directly related to acquisition of assets.

Gains/losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price and recognised in the other operating income of the related period.

**Depreciation**

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

The estimated useful lives of tangible assets are as follows:

| <b>Tangible asset</b>   | <b>Estimated useful life (Year)</b> |
|-------------------------|-------------------------------------|
| Machinery and equipment | 8                                   |
| Furniture and fixtures  | 3-15                                |
| Leasehold improvements  | Shorter of 5 years or lease term    |

**Subsequent expenditure**

Expenditure incurred to replace a component of an item of tangible assets that is accounted for separately, including major inspection and overhauls costs, are capitalised. Other subsequent expenditures are capitalised only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognised in profit or loss as an expense as incurred.

Profit or loss resulting from disposal of tangible assets is determined by comparing the difference of proceeds from sales and net book value of tangible asset and recognised to the relevant income or loss items.

Halk Yatırım Menkul Değerler Anonim Şirketi

## Notes to the Financial Statements

### As at and for the Year Ended 31 December 2013

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

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#### **2.5.3 Intangible assets**

Intangible assets are comprised of software. Intangible assets are carried at restated cost for the effects of inflation in TL units current at 31 December 2004 for the intangible assets acquired before 1 January 2005, and intangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated amortisation and impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful lives for a period not exceeding 10 years from the date of acquisition.

#### **2.5.4 Investments in associates**

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

#### **2.5.5 Financial instruments**

The Company's financial assets consist of cash and cash equivalents, financial assets at fair value through profit or loss, available-for-sale financial assets, derivative instruments and trade and other receivables; and financial liabilities consist of financial liabilities, trade and other payables.

#### **Financial assets**

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

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Except for those financial assets classified as fair value through profit or loss, non derivative financial assets are initially measured at fair value including the directly attributable transaction costs. Subsequent to initial recognition, the financial assets are measured as follows:

***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, reverse repurchase agreements, and Type B liquid funds that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Time deposits at banks are initially measured at fair value and then, subsequently measured at amortised cost using the effective interest method. The carrying amount of these assets is close to their fair values.

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

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designed as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. On initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss. Derivative financial instruments which are not designed as effective hedging instruments for the financial risks, are also classified as financial assets at fair value through profit or loss. These financial assets are classified as short term.

***Available-for-sale financial assets***

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, financial assets at fair value through profit or loss, held-to-maturity financial assets and loans and receivables (trade receivables). Available-for-sale financial assets are recognised at the date of realisation of the purchase commitment of these financial assets. Gains or losses derived from the difference between the cost and discounted values calculated per effective interest rate method of the available-for-sale financial assets are recorded in profit or loss whereas their fair value and the discounted value calculated per effective interest rate method are recorded in "Fair value reserve" under shareholders' equity. When the available-for-sale financial assets are derecognised, the gain or losses accumulated in equity under fair value reserves are reclassified to 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 available-for-sale financial assets and are measured at fair value. The Company also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and measured at cost since their fair value may not be measured reliably.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

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***Trade and other receivables***

Trade and other receivables are recognised initially at fair value. At the reporting date, subsequent to initial recognition, trade and other receivables are measured at amortised cost using the effective interest method. When a trade receivable becomes uncollectible, it is written off against the allowance account. The amount of the allowance account is the difference between the carrying amount of the receivables and the collectible amount. Changes in the carrying amount of the allowance account are recognised in profit or loss. The Company's management believes that value of trade and other receivables at statement of financial position is approaching to their fair value.

***Financial liabilities***

Financial liabilities are initially measured at fair value, net of transaction costs, at the transaction date and then, subsequently measured at amortised cost using the effective interest method.

***Derivative financial instruments***

At the reporting date, the Company's derivative financial instruments consist of forward foreign exchange and currency swap transactions. The Company makes forward foreign currency purchase-sales and financial instrument backed forward transactions in order to gain economic benefit. At the reporting date, all derivative transactions are made for trading purposes and measured at their fair values and the foreign exchange gain or loss resulting from such derivative transactions is recognised in profit or loss.

***Capital***

***Common stock***

Common stocks are classified as equity capital. Costs directly related with issuance of common stock and equity securities options are recognised as decrease in equity capital, after deducting tax effect.

***2.5.6 Impairment of assets***

***Financial assets***

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

For financial assets and loans carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The Company assesses the impairment on its financial assets individually.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed, does not exceed what the amortised cost would have been had the impairment not been recognised.

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In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in the equity.

**Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value of the time value of money and the disposal of asset. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined; if no impairment loss had been recognised.

**2.5.7 Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**2.5.8 Borrowing costs**

All borrowing costs are recognised in profit or loss in the period they incur.

**2.5.9 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 reporting date. Exchange gains or losses arising from such transactions are included in profit or loss.

**2.5.10 Earnings per share**

According to TAS 33 - "Earnings per Share", companies whose shares are not traded at stock exchange, do not have to declare earnings per share. Since, the shares of the Company are not traded at stock exchange, earnings per share is not calculated in the accompanying financial statements.



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#### **2.5.11 Subsequent events**

Subsequent events represents the events after reporting date comprising any event between the reporting date and the date of authorisation for the financial statements' issue to the benefit or loss of the entity. Conditions of subsequent events are as follows:

- to have new evidences of subsequent events as of reporting date (adjusting events after reporting date); and
- to have evidences of showing related subsequent events occurred after reporting date (non adjusting events after reporting date).

The Company adjusts its financial statements according to the new condition if adjusting subsequent events arise subsequent to the reporting date. If it is not necessary to adjust the financial statements according to subsequent events, these subsequent events must be disclosed in the notes to the financial statements.

#### **2.5.12 Provisions, contingent liabilities and assets**

According to "TAS 37 - Turkish Accounting Standards on provisions, contingent liabilities and assets" a provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes.

Contingent assets are disclosed in the notes and not recognised unless it is realised.

#### **2.5.13. Leasing transactions**

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operational leasing. Whole leasing transactions of the Company are operational leasing.

##### *The Company as lessor*

There are not any transactions of the Company as lessor.

##### *The Company as lessee*

Operational lease expense is recognised in the profit or loss on a straight-line basis for the whole lease period in the agreement. Start-up costs for the realisation and optimisation of the operational lease agreement are added to the cost of the leased asset and amortised through the leased time on a straight line basis method.

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#### **2.5.14 Related parties**

For the purpose of the financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and associates, investments and joint ventures are considered and referred to as the related parties. Shareholders and board of directors are also included in the related parties. Related party transactions are explained as the transfer of the asset and liabilities between institutions with or without a charge.

#### **2.5.15 Segment reporting**

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

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

#### **2.5.16 Income tax**

Taxes on income comprise current and deferred taxes. Current taxes on income comprise tax payable calculated based on the expected taxable income for the year using the tax rates existing at the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are presented in the financial statements as net. However, deferred tax asset and liabilities originating from the subsidiaries are presented separately in the assets and liabilities of the financial statements on gross basis.

If transactions and other occurrences are accounted at profit or loss; current year corporate tax, deferred tax income/expense which are related to these transactions and other occurrences are also accounted at profit or loss. If transactions and other occurrences are directly accounted at equity balances; tax effects which are related to these transactions and other occurrences are also accounted at equity accounts.

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#### **2.5.17 Employee benefits**

In accordance with the existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. Provision for employee severance benefits has been accounted for using discounting total provision and reflected to the financial statements.

The Company recognizes employee benefits in accordance with TAS 19 (2011).

Prior to these amendments, all actuarial gains and losses had been recognised in profit or loss. As the change in accounting policy does not have significant impact on the comparative financial statements for the year ended 31 December 2012, they have not been restated.

As a result of the amendments to TAS 19 (2011), all actuarial gains and losses are recognised in other comprehensive income.

Furthermore, in accordance with the existing social legislation, the Company is required to make payment against the unused vacation days of the employees.

Short term liabilities of the employee benefits are expensed in profit or loss without discounting.

#### **2.5.18 Turkish derivatives exchange market ("TDE") transactions**

The cash collaterals held in TDE on behalf of customers are classified in the statement of financial position under trade receivables and cash collaterals given by the Company for the transactions made in the TDE are classified as other receivables as gross. Gains and losses arising from the transactions in the current period are recognised in profit or loss from main operations. The net amount of fair value differences recognised in profit or loss and interest income from the remaining part of the collateral amounts arising from the open transactions are presented in trade receivables.

#### **2.5.19 Statement of cash flows**

The Company presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new conditions.

In statement of cash flows, cash flows are classified according to operating, investment and financing activities. Cash flows from operating activities reflect cash flows mainly generated from main operations of the Company. Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Company. Cash flows relating to financing activities express sources of financial activities and payment schedules of the Company. Cash and cash equivalents comprise cash on hand and demand deposits, investment funds, reverse repo receivables and other bank deposits which their maturities are three months or less from date of acquisition. Customer assets directed to an investment and customer assets dominated in a foreign currency that are followed in the Company's bank accounts are excluded from the sum of the cash and cash equivalent in the statement of cash flows.

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#### 3 Cash and cash equivalents

As at 31 December 2013 and 31 December 2012, cash and cash equivalents are as follows:

|                                                                     | 31 December 2013   | 31 December 2012   |
|---------------------------------------------------------------------|--------------------|--------------------|
| Cash at banks <sup>(1)</sup>                                        | 267.832.783        | 151.667.138        |
| - Time deposits                                                     | 255.314.345        | 145.080.998        |
| - Demand deposits                                                   | 12.518.538         | 6.586.140          |
| Receivables from reverse repurchase agreements                      | 1.068.542          | 123.584            |
| Cash                                                                | --                 | 2.126              |
| <b>Cash and cash equivalents on statement of financial position</b> | <b>268.901.325</b> | <b>151.792.848</b> |
| Interest income accruals on cash and cash equivalents               | (1.389.878)        | (438.727)          |
| Customer assets                                                     | (10.933.219)       | (5.964.696)        |
| <b>Cash and cash equivalents on statement of cash flows</b>         | <b>256.578.228</b> | <b>145.389.425</b> |

As at 31 December 2013, TL 220.102.167 of cash at banks (31 December 2012: TL 145.080.998) is held on time deposit accounts of T. Halkbankası AŞ which is main shareholder of the Company, TL 11.843.521 of cash at banks is on demand deposit accounts (31 December 2012: TL 6.579.158).

As at 31 December 2013, maturity of receivables from reverse repurchase agreements is 1 day and interest rate is 6,65% (31 December 2012: 1 day maturity, 3,99% interest rate).

<sup>(1)</sup> TL 10.933.219 (31 December 2012: TL 5.964.696) of bank accounts are customer assets which are not yet invested and evaluated with its own deposit accounts of the Company as at 31 December 2013.

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As at 31 December 2013 and 31 December 2012, the details of time deposits are as follows:

|                    | 31 December 2013  |            |                    | 31 December 2012  |            |                    |
|--------------------|-------------------|------------|--------------------|-------------------|------------|--------------------|
|                    | Interest rate (%) | Maturity   | Amount             | Interest rate (%) | Maturity   | Amount             |
| T. Halk Bankası AŞ | 9,35              | 16.01.2014 | 40.225.425         | 8,10              | 18.03.2013 | 30.079.638         |
| T. Halk Bankası AŞ | 9,45              | 14.01.2014 | 30.178.644         | 8,15              | 20.02.2013 | 14.058.133         |
| T. Halk Bankası AŞ | 9,45              | 08.01.2014 | 20.134.630         | 8,15              | 26.02.2013 | 10.067.903         |
| T. Halk Bankası AŞ | 9,45              | 15.01.2014 | 20.119.096         | 8,15              | 25.02.2013 | 10.049.047         |
| T. Halk Bankası AŞ | 9,45              | 17.01.2014 | 20.119.096         | 8,15              | 28.01.2013 | 10.024.599         |
| T. Halk Bankası AŞ | 9,35              | 15.01.2014 | 20.112.712         | 8,15              | 29.01.2013 | 10.022.705         |
| T. Halk Bankası AŞ | 9,30              | 17.01.2014 | 20.107.014         | 8,15              | 30.01.2013 | 10.022.702         |
| T. Halk Bankası AŞ | 9,35              | 20.01.2014 | 12.661.326         | 8,15              | 25.01.2013 | 10.020.822         |
| Other              | 9,40              | 10.01.2014 | 15.104.301         | --                | --         | --                 |
| Other              | 9,40              | 20.01.2014 | 10.054.082         | --                | --         | --                 |
| Other              | 9,35              | 20.01.2014 | 10.053.795         | --                | --         | --                 |
| T. Halk Bankası AŞ | 9,35              | 20.01.2014 | 10.051.233         | 8,15              | 28.01.2013 | 10.015.138         |
| T. Halk Bankası AŞ | 9,70              | 03.02.2014 | 7.579.733          | 8,15              | 28.01.2013 | 10.013.246         |
| T. Halk Bankası AŞ | 6,00              | 02.01.2014 | 5.900.970          | 8,15              | 31.01.2013 | 8.520.902          |
| T. Halk Bankası AŞ | 9,50              | 20.01.2014 | 4.461.610          | 8,15              | 25.02.2013 | 5.036.785          |
| T. Halk Bankası AŞ | 9,45              | 20.01.2014 | 4.014.499          | 8,15              | 31.01.2013 | 3.503.310          |
| T. Halk Bankası AŞ | 9,75              | 03.02.2014 | 2.974.407          | 8,15              | 23.01.2013 | 1.503.692          |
| T. Halk Bankası AŞ | 9,45              | 09.01.2014 | 1.461.772          | 5,00              | 02.01.2013 | 890.104            |
| T. Halk Bankası AŞ | --                | --         | --                 | 8,15              | 06.02.2013 | 501.136            |
| T. Halk Bankası AŞ | --                | --         | --                 | 8,15              | 01.02.2013 | 751.136            |
| <b>Total</b>       |                   |            | <b>255.314.345</b> |                   |            | <b>145.080.998</b> |

As at 31 December 2013 and 31 December 2012, there is no blockage on cash and cash equivalents of the Company.

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**4 Financial investments**

**Short term financial assets**

As at 31 December 2013 and 31 December 2012, short term financial investments are as follows:

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

|                      | 31 December 2013 |                   | 31 December 2012 |                   |
|----------------------|------------------|-------------------|------------------|-------------------|
|                      | Nominal value    | Carrying value    | Nominal value    | Carrying value    |
| Government bonds     | 3.618.000        | 3.889.190         | 33.201.000       | 32.515.230        |
| Private sector bonds | 8.281.233        | 8.411.399         | 8.057.233        | 8.081.983         |
| Equity securities    | 3.205.416        | 7.829.020         | 2.422.987        | 6.329.066         |
| Investment Funds     | --               | --                | 425.000.000      | 4.242.285         |
| <b>Total</b>         |                  | <b>20.129.609</b> |                  | <b>51.168.564</b> |

As at 31 December 2013, government bonds with nominal value TL 1.030.000 (31 December 2012: TL 700.000 and TL 200.000) and carrying value of TL 1.006.567 (31 December 2012: TL 684.509 and TL 195.574) is pledged as collateral at Turkish Derivatives Exchange (Vadeli İşlem ve Opsiyon Piyasası).

**Long term financial assets**

As at 31 December 2013 and 31 December 2012, long term financial assets are as follows:

**Available for sale financial assets**

|                                           | 31 December 2013 |                    | 31 December 2012 |                    |
|-------------------------------------------|------------------|--------------------|------------------|--------------------|
|                                           | Carrying value   | Ownership rate (%) | Carrying value   | Ownership rate (%) |
| <b>Share investments</b>                  |                  |                    |                  |                    |
| Halk Hayat ve Emeklilik AŞ                | 4.359.928        | 0,590              | 3.032.600        | 0,590              |
| Halk Faktoring AŞ <sup>(1)</sup>          | 553.063          | 1,250              | 278.384          | 1,250              |
| Halk Gayrimenkul Yatırım Ortaklığı AŞ     | 310.128          | 0,052              | 319.800          | 0,052              |
| Borsa İstanbul AŞ <sup>(2)</sup>          | 159.711          | 0,004              | --               | --                 |
| Ziraat Portföy Yönetimi AŞ <sup>(3)</sup> | 2.225            | 0,100              | 2.225            | 0,100              |
| Halk Finansal Kiralama AŞ                 | 6                | --                 | 2                | --                 |
| <b>Total</b>                              | <b>5.385.061</b> |                    | <b>3.633.011</b> |                    |

<sup>(1)</sup> The Company has kept its 1,25% of share of Halk Faktoring AŞ by paying TL 250.000 on 11 December 2013 in the share capital increase of 100% (The Company has paid the capital in cash amounted TL 250.000 with 1,25% of share of Halk Faktoring AŞ on 23 May 2012).

<sup>(2)</sup> According to 6362 numbered Capital Markets Board of Turkey's ("CMB") 138<sup>th</sup> clause's a article, "After registration and announcement of main agreement, 4% of shares of Borsa İstanbul distributed to Borsa İstanbul's member, 0.3% of shares of Borsa İstanbul is distributed to Precious Metals and Diamond Markets of İstanbul's member without charge and 1% of shares of Borsa İstanbul is distributed to Turkish Capital Market's Association" and regarding to this clause, 15,971.094 of shares is distributed without charge to the Company by Borsa İstanbul's 4 July 2013 dated and 2013/17 numbered decision of Board of Directory.

<sup>(3)</sup> Recognised in the financial statements with cost value.

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## 5 Trade receivables and payables

### Trade receivables

As at 31 December 2013 and 31 December 2012, trade receivables of the Company are as follows:

|                                                                            | 31 December 2013   | 31 December 2012   |
|----------------------------------------------------------------------------|--------------------|--------------------|
| Receivables from Stock Exchange Money Market ("SEMM") <sup>(1)</sup>       | 218.476.000        | 150.049.000        |
| Receivables from loan customers <sup>(2)</sup>                             | 60.721.458         | 46.595.795         |
| Collaterals given to TDE (Vadeli İşlem ve Opsiyon Piyasası) <sup>(3)</sup> | 6.926.160          | 7.915.353          |
| Receivables from customers                                                 | 1.331.648          | 1.309.747          |
| Receivables from related parties (Note 23)                                 | 2.071.341          | 144.045            |
| Leveraged trading collaterals <sup>(4)</sup>                               | 789.618            | --                 |
| Collaterals given for borrowed securities                                  | --                 | 493.000            |
| Doubtful trade receivables                                                 | 32.596             | 20.460             |
| Provision for doubtful trade receivables                                   | (32.596)           | (20.460)           |
| <b>Total</b>                                                               | <b>290.316.225</b> | <b>206.506.940</b> |

<sup>(1)</sup> Receivables related with sales transactions made at SEMM on behalf of customers by the Company.

<sup>(2)</sup> As at 31 December 2013, average interest rate of the loans which were used by customers, are 13,70% (31 December 2012: 14,65%).

<sup>(3)</sup> The amount presented in trade receivables is the cash collaterals held in Turkish Derivative Exchange Market on behalf of customers.

<sup>(4)</sup> The amount presented in trade receivables is the cash collaterals held in Turkish Derivative Exchange Market to make leveraged trading transactions on behalf of customers.

As at 31 December 2013 and 31 December 2012, movement of doubtful receivables are as follows:

|                                       | 31 December 2013 | 31 December 2012 |
|---------------------------------------|------------------|------------------|
| Balance at the beginning of the year  | 20.460           | 24.463           |
| Allowance provided during the year    | 32.596           | 20.460           |
| Collections during the year           | (20.460)         | (24.463)         |
| <b>Balance at the end of the year</b> | <b>32.596</b>    | <b>20.460</b>    |

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#### Trade payables

As at 31 December 2013 and 31 December 2012, trade payables are as follows:

|                                                    | 31 December 2013   | 31 December 2012   |
|----------------------------------------------------|--------------------|--------------------|
| Payables to Stock Exchange Money Market            | 218.476.000        | 150.049.000        |
| Funds provided under repurchase agreement          | 10.954.781         | 38.799.706         |
| Payables to customers                              | 10.933.219         | 5.964.696          |
| TDE (Vadeli İşlem ve Opsiyon Piyasası) collaterals | 6.926.160          | 7.915.353          |
| Payables to related parties (Note 23)              | 829.391            | 7.890              |
| Leveraged trading collaterals                      | 789.618            | --                 |
| Payables to suppliers                              | 422.975            | 288.893            |
| Guarantees received for lended securities          | --                 | 493.000            |
| Other Trade Payables                               | 168.048            | --                 |
| <b>Total</b>                                       | <b>249.500.192</b> | <b>203.518.538</b> |

#### 6 Financial liabilities

As at 31 December 2013 and 31 December 2012, financial liabilities of the Company are as follows:

|                                         | 31 December 2013   | 31 December 2012   |
|-----------------------------------------|--------------------|--------------------|
| Payables to Stock Exchange Money Market | 263.467.755        | 147.811.690        |
| <b>Total</b>                            | <b>263.467.755</b> | <b>147.811.690</b> |

As at 31 December 2013, letter of guarantees amounting to TL 327.800.000 are given as collateral for debts to Stock Exchange Money Market (31 December 2012: TL 186.000.000).

As 31 December 2013 and 31 December 2012, the Company's financial liabilities are as follows:

|              | 31 December 2013  |            |                    | 31 December 2012  |            |                    |
|--------------|-------------------|------------|--------------------|-------------------|------------|--------------------|
|              | Interest rate (%) | Maturity   | Amount             | Interest rate (%) | Maturity   | Amount             |
| SEMM         | 8,60-8,65         | 17.01.2014 | 47.632.418         | 6,10              | 02.01.2013 | 10.023.337         |
| SEMM         | 8,70              | 15.01.2014 | 40.206.227         | 6,10-6,50         | 31.01.2013 | 12.021.529         |
| SEMM         | 8,60-8,65         | 14.01.2014 | 40.203.425         | 6,10              | 15.01.2013 | 14.051.414         |
| SEMM         | 8,60-8,65         | 16.01.2014 | 40.199.960         | 6,10              | 23.01.2013 | 21.549.962         |
| SEMM         | 3,10-8,45         | 02.01.2014 | 25.804.485         | --                | --         | --                 |
| SEMM         | 8,80              | 08.01.2014 | 20.120.519         | 6,10              | 10.01.2013 | 10.043.419         |
| SEMM         | 8,30              | 03.01.2014 | 20.091.961         | 6,10              | 30.01.2013 | 10.020.006         |
| SEMM         | 8,50-8,80         | 10.01.2014 | 15.093.864         | 5,65-6,00         | 02.01.2013 | 5.000.817          |
| SEMM         | 8,60-8,65         | 20.01.2014 | 12.654.291         | 6,10-6,50         | 28.01.2013 | 30.048.326         |
| SEMM         | 8,65              | 09.01.2014 | 1.460.605          | 6,10-6,50         | 29.01.2013 | 15.026.225         |
| SEMM         | --                | --         | --                 | 6,50              | 25.01.2013 | 20.026.655         |
| <b>Total</b> |                   |            | <b>263.467.755</b> |                   |            | <b>147.811.690</b> |



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## 7 Derivative liabilities

As at 31 December 2013 and 2012, derivative liabilities of the Company are as follows:

|                                                   | 31 December 2013 | 31 December 2012 |
|---------------------------------------------------|------------------|------------------|
| Liabilities from derivative financial instruments | 26.849           | --               |
| <b>Total</b>                                      | <b>26.849</b>    | <b>--</b>        |

As at 31 December 2013, the Company's commitments for the derivative transactions are as follows:

| Derivative instrument description | 31 December 2013 |               |                |                 |                |           |              |                 |
|-----------------------------------|------------------|---------------|----------------|-----------------|----------------|-----------|--------------|-----------------|
|                                   | Short position   |               |                |                 | Long position  |           |              |                 |
|                                   | Nominal amount   | Type          | Nominal (TL)   | Fair value (TL) | Nominal amount | Type      | Nominal (TL) | Fair value (TL) |
| TL / Foreign currency             |                  |               |                |                 |                |           |              |                 |
| Currency swap agreement           | 37.800           | British Pound | 127.307        | 7.571           | --             | --        | --           | --              |
| Currency swap agreement           | 250.000          | US Dollar     | 517.227        | 19.278          | --             | --        | --           | --              |
| <b>Total</b>                      |                  |               | <b>642.534</b> | <b>26.849</b>   | <b>--</b>      | <b>--</b> | <b>--</b>    | <b>--</b>       |

## 8 Other receivables and payables

### Other receivables

As at 31 December 2013 and 31 December 2012, other receivables are as follows:

|                                                                   | 31 December 2013 | 31 December 2012 |
|-------------------------------------------------------------------|------------------|------------------|
| TDE (Vadeli İşlem ve Opsiyon Piyasası) collaterals <sup>(*)</sup> | 585.909          | 427.484          |
| Receivables from personnel                                        | 10.021           | 8.262            |
| Other                                                             | 70.489           | 95.472           |
| <b>Total</b>                                                      | <b>666.419</b>   | <b>531.218</b>   |

<sup>(\*)</sup> Consists of cash collaterals on behalf of the Company which are given to Istanbul Stock Exchange Market ("ISE").

## Notes to the Financial Statements

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#### Other payables

As at 31 December 2013 and 31 December 2012, other payables are as follows:

|                        | 31 December 2013 | 31 December 2012 |
|------------------------|------------------|------------------|
| Taxes and dues payable | 769.541          | 536.715          |
| <b>Total</b>           | <b>769.541</b>   | <b>536.715</b>   |

#### 9 Investments in equity accounted investees

| Associations                                     | Share (%)        |                  | Main operational area |
|--------------------------------------------------|------------------|------------------|-----------------------|
|                                                  | 31 December 2013 | 31 December 2012 |                       |
| Halk Portföy <sup>(1)</sup>                      | 25,00            | 25,00            | Portfolio management  |
|                                                  | 31 December 2013 | 31 December 2012 |                       |
| Total assets                                     | 7.091.152        | 5.388.275        |                       |
| Total liabilities                                | (516.794)        | (150.923)        |                       |
| <b>Net assets</b>                                | <b>6.574.358</b> | <b>5.237.352</b> |                       |
| Company's share in equity accounted investees    | 1.643.589        | 1.309.338        |                       |
| <b>Investments in equity accounted investees</b> | <b>1.643.589</b> | <b>1.309.338</b> |                       |

|                                                                                             | 31 December 2013 | 31 December 2012 |
|---------------------------------------------------------------------------------------------|------------------|------------------|
| Total income                                                                                | 4.686.858        | 2.344.308        |
| Net income / (loss) for the period                                                          | 1.349.184        | 476.320          |
| Other comprehensive income                                                                  | (12.180)         | --               |
| <b>Share of profit/(loss) for the year of equity accounted investees</b>                    | <b>337.296</b>   | <b>119.080</b>   |
| <b>Share of profit or loss and other comprehensive income of equity accounted investees</b> | <b>334.251</b>   | <b>119.080</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 1.250.000 in cash for the 25% share of Halk Portföy Yönetimi AŞ. Halk Portföy Yönetimi AŞ's share capital is comprised of 5.000.000 shares each having a nominal value of TL 1.

#### 10 Other current assets

As at 31 December 2013 and 31 December 2012, other current assets are as follows:

|                  | 31 December 2013 | 31 December 2012 |
|------------------|------------------|------------------|
| Prepaid expenses | 168.503          | 109.770          |
| <b>Total</b>     | <b>168.503</b>   | <b>109.770</b>   |

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**11 Tangible assets**

For the years ended 31 December 2013 and 31 December 2012, movement of the tangible assets are as follows:

|                                         | Machinery and<br>equipment | Furniture and<br>fixtures | Leasehold<br>improvements <sup>(1)</sup> | Total            |
|-----------------------------------------|----------------------------|---------------------------|------------------------------------------|------------------|
| <b>Cost</b>                             |                            |                           |                                          |                  |
| Opening balance, 1 January 2012         | 329.397                    | 1.477.289                 | 1.394.153                                | 3.200.839        |
| Additions                               | 110.494                    | 571.518                   | 127.445                                  | 809.457          |
| Disposals                               | --                         | --                        | --                                       | --               |
| <b>Ending balance, 31 December 2012</b> | <b>439.891</b>             | <b>2.048.807</b>          | <b>1.521.598</b>                         | <b>4.010.296</b> |
| Opening balance, 1 January 2013         | 439.891                    | 2.048.807                 | 1.521.598                                | 4.010.296        |
| Additions                               | 209.817                    | 131.922                   | 190.538                                  | 532.277          |
| Disposals                               | --                         | --                        | --                                       | --               |
| <b>Ending balance, 31 December 2013</b> | <b>649.708</b>             | <b>2.180.729</b>          | <b>1.712.136</b>                         | <b>4.542.573</b> |
| <b>Accumulated depreciation</b>         |                            |                           |                                          |                  |
| Opening balance, 1 January 2012         | 106.556                    | 883.257                   | 411.043                                  | 1.400.856        |
| Current year charge                     | 63.770                     | 352.746                   | 294.882                                  | 711.398          |
| Disposals                               | --                         | --                        | --                                       | --               |
| <b>Ending balance, 31 December 2012</b> | <b>170.326</b>             | <b>1.236.003</b>          | <b>705.925</b>                           | <b>2.112.254</b> |
| Opening balance, 1 January 2013         | 170.326                    | 1.236.003                 | 705.925                                  | 2.112.254        |
| Current year charge                     | 112.543                    | 324.638                   | 311.550                                  | 748.731          |
| Disposals                               | --                         | --                        | --                                       | --               |
| <b>Ending balance, 31 December 2013</b> | <b>282.869</b>             | <b>1.560.641</b>          | <b>1.017.475</b>                         | <b>2.860.985</b> |
| <b>Net book value</b>                   |                            |                           |                                          |                  |
| 1 January 2012                          | 222.841                    | 594.032                   | 983.110                                  | 1.799.983        |
| 31 December 2012                        | 269.565                    | 812.804                   | 815.673                                  | 1.898.042        |
| 31 December 2013                        | 366.838                    | 620.088                   | 694.662                                  | 1.681.588        |

As at 31 December 2013, total insurance on tangible assets are amounting to TL 2.933.250 (31 December 2012: TL 2.933.250).

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#### 12 Intangible assets

For the years ended 31 December 2013 and 31 December 2012, movement of the intangible assets are as follows:

|                                         | Software         |
|-----------------------------------------|------------------|
| <b>Cost</b>                             |                  |
| Opening balance, 1 January 2012         | 1.105.090        |
| Additions                               | 325.516          |
| <b>Ending balance, 31 December 2012</b> | <b>1.430.606</b> |
| Opening balance, 1 January 2013         | 1.430.606        |
| Additions                               | 121.161          |
| <b>Ending balance, 31 December 2013</b> | <b>1.551.767</b> |
| <b>Accumulated amortisation</b>         |                  |
| Opening balance, 1 January 2012         | 879.208          |
| Current year charge                     | 153.199          |
| <b>Ending balance, 31 December 2012</b> | <b>1.032.407</b> |
| Opening balance, 1 January 2013         | 1.032.407        |
| Current year charge                     | 214.741          |
| <b>Ending balance, 31 December 2013</b> | <b>1.247.148</b> |
| <b>Net book value</b>                   |                  |
| 1 January 2012                          | 225.882          |
| 31 December 2012                        | 398.199          |
| 31 December 2013                        | 304.619          |

As at 31 December 2013 and 31 December 2012, the Company does not have any internally developed intangible assets.

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### 13 Provisions, contingent assets and liabilities

#### Provisions

As at 31 December 2013 and 31 December 2012, short-term provisions are as follows:

|                                                                                    | 31 December 2013 | 31 December 2012 |
|------------------------------------------------------------------------------------|------------------|------------------|
| Lawsuit provisions                                                                 | 92.928           | 22.823           |
| Agency participation accruals                                                      | 72.909           | 20.110           |
| Telephone expense accruals                                                         | 29.475           | 15.000           |
| Central Registry Agency ("CRA") Settlement and Custody Bank<br>commission accruals | 18.977           | 36.772           |
| Share-bond market participation accruals                                           | 5.090            | 33.111           |
| Other expense accruals                                                             | 202.539          | 186.052          |
| <b>Total</b>                                                                       | <b>421.918</b>   | <b>313.868</b>   |

#### Off balance sheet liabilities

As at 31 December 2013 and 31 December 2012, off balance sheet commitments and contingencies are as follows:

#### *Letter of guarantees given*

|                                                                                      | 31 December 2013   | 31 December 2012   |
|--------------------------------------------------------------------------------------|--------------------|--------------------|
| Stock Exchange Money Market Transaction Collaterals (Settlement<br>and Custody Bank) | 327.800.000        | 186.000.000        |
| ISE                                                                                  | 11.922.000         | 11.922.000         |
| Capital Blockage (Settlement and Custody Bank)                                       | 1.750.000          | 1.750.000          |
| TDE (Vadeli İşlem ve Opsiyon Piyasası) Guarantee Fund                                | --                 | 160.000            |
| CMB                                                                                  | 1.776              | 1.776              |
| Other                                                                                | 41.720             | 26.504             |
| <b>Total</b>                                                                         | <b>341.515.496</b> | <b>199.860.280</b> |

As at 31 December 2013, the Company gave guarantees amounting to Euro 10.000 and USD 50.000 in ISE to make operations in foreign marketable securities market (31 December 2012: Euro 10.000 and USD 50.000).

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#### Other off balance sheet liabilities

|                                                   | 31 December 2013 | 31 December 2012 |
|---------------------------------------------------|------------------|------------------|
| <b>Items held in custody (nominal)</b>            |                  |                  |
| Equity securities                                 | 735.672.401.585  | 441.906.882.605  |
| Warrants                                          | 4.288.450.000    | 2.559.629.000    |
| Marketable securities                             | 849.518.085      | 480.221.283      |
| TDE (Vadeli İşlem ve Opsiyon Piyasası) agreements | 2.448            | 4.408            |

As at 31 December 2013, TDE (Vadeli İşlem ve Opsiyon Piyasası) transaction collaterals amounting to TL 6.926.160 are kept at ISE Settlement and Custody Bank Inc on behalf of customers (31 December 2012: TL 7.915.353).

As at 31 December 2013 and 31 December 2012, open position transactions made on behalf of the customers in TDE (Vadeli İşlem ve Opsiyon Piyasası) market are as follows:

|                                   | 31 December 2013 | 31 December 2012 |
|-----------------------------------|------------------|------------------|
| Open position transactions amount | 13.074.232       | 29.601.540       |

#### Lawsuits

As at 31 December 2013, total risk of lawsuits sued against the Company are amounting to approximately TL 131.648 (31 December 2012: TL 143.382) and TL 92.928 of provision is provided for these lawsuits on the financial statements (31 December 2012: TL 22.823).

#### 14 Employee benefits

As at 31 December 2013 and 31 December 2012, the details of provisions related to employee benefits are below:

|                                      | 31 December 2013 | 31 December 2012 |
|--------------------------------------|------------------|------------------|
| <b>Short term</b>                    |                  |                  |
| - Provision for unused vacation      | 577.546          | 396.815          |
| - Personnel dividend bonus provision | 951.683          | --               |
| <b>Long term</b>                     |                  |                  |
| - Employee severance pay liability   | 263.542          | 284.846          |

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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 2013 and 31 December 2012, movements in the provision for vacation pay liability during the year were as follows:

|                                       | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---------------------------------------|------------------------------|------------------------------|
| Balance at the beginning of the year  | 396.815                      | 367.026                      |
| Increase during the year              | 239.074                      | 94.986                       |
| Paid during the year                  | (58.343)                     | (65.197)                     |
| <b>Balance at the end of the year</b> | <b>577.546</b>               | <b>396.815</b>               |

Personnel dividend bonus provision

TL 951.683 of personnel dividend bonus provision is calculated according to the Company's estimate for the distribution of dividend for the year 2013 (31 December 2012: None).

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.

As at 31 December 2013 and 31 December 2012, movements in the employee severance pay liability during the year are as follows:

|                                       | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---------------------------------------|------------------------------|------------------------------|
| Balance at the beginning of the year  | 284.846                      | 236.149                      |
| Interest cost                         | 21.363                       | 20.610                       |
| Service cost                          | 55.155                       | 49.651                       |
| Payments during the year              | (86.947)                     | (334.548)                    |
| Actuarial difference                  | (10.875)                     | 312.984                      |
| <b>Balance at the end of the year</b> | <b>263.542</b>               | <b>284.846</b>               |

**15 Equity**

Share capital

As per the resolution of General Assembly held on 9 April 2013, the Company's nominal share capital increased to TL 55.000.000 by TL 9.000.000 from 2012 profit.

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As at 31 December 2013, the paid in capital of the Company is TL 55.000.000 (31 December 2012: TL 46.000.000) and the Company's share capital is comprised of 55.000.000 shares each having a nominal value of TL 1. All shares of the Company are registered. TL 24.750.000 of shares is (A) Group and TL 30.250.000 is (B) Group. The Company management is formed of at least five members of the Board of Directors which are selected by General Assembly. The Company is not subject to registered capital limit system.

|                              | 31 December 2013 |                   |                   | 31 December 2012 |                   |                   |
|------------------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|
|                              | Share (%)        | Share             | Amount (TL)       | Share (%)        | Share             | Amount (TL)       |
| T. Halk Bankası AŞ (A Group) | 45,00            | 24.750.000        | 24.750.000        | 45,00            | 20.700.000        | 20.700.000        |
| T. Halk Bankası AŞ (B Group) | 54,94            | 30.217.000        | 30.217.000        | 54,94            | 25.272.400        | 25.272.400        |
| Other (B Group)              | 0,06             | 33.000            | 33.000            | 0,06             | 27.600            | 27.600            |
| <b>Total</b>                 | <b>100,00</b>    | <b>55.000.000</b> | <b>55.000.000</b> | <b>100,00</b>    | <b>46.000.000</b> | <b>46.000.000</b> |

Restricted reserves

Legal reserves

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5%, 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 2013, restricted reserves (legal reserves) of the company are amounting to TL 5.725.924 (31 December 2012: TL 5.112.915).

Fair value reserves

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/losses

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.

Retained earnings

As at 31 December 2013, retained earnings of the Company are amounting to TL 1.015.239 (31 December 2012: TL 569.272).



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**16 Sales revenue and cost of sales**

For the years ended 31 December 2013 and 31 December 2012, operating income are as follows:

|                                            | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|--------------------------------------------|------------------------------|------------------------------|
| <i>Sales revenue</i>                       |                              |                              |
| Government bond sales                      | 217.099.652                  | 141.916.923                  |
| Bank bond sales                            | 5.220.095                    | 7.012.881                    |
| Equity security sales                      | 4.321.470                    | 2.096.018                    |
| Investment fund sales                      | 4.266.370                    | 2.692.725                    |
| Private sector bond sales                  | 4.108.037                    | 1.036.658                    |
| <i>Service income</i>                      |                              |                              |
| Brokerage commission income                | 14.833.008                   | 10.428.854                   |
| Public offering intermediary income        | 7.908.198                    | 2.555.208                    |
| Interest income from loans and receivables | 7.819.786                    | 6.174.557                    |
| TDE commission income                      | 2.143.442                    | 1.688.809                    |
| Advisory service income                    | 929.060                      | 1.432.793                    |
| Fund management commission income          | 756.766                      | 426.112                      |
| Other service income                       | 543.758                      | 702.522                      |
| Default interest                           | 172.932                      | 185.106                      |
| <i>Total service income</i>                | <i>34.270.796</i>            | <i>23.593.961</i>            |
| <i>Discounts from service income</i>       |                              |                              |
| Customer commission returns                | (2.679.275)                  | (575.055)                    |
| <i>Total discounts from service income</i> | <i>(2.679.275)</i>           | <i>(575.055)</i>             |
| <b>Total sales revenue</b>                 | <b>267.443.299</b>           | <b>177.774.111</b>           |
| <i>Cost of sales</i>                       |                              |                              |
| Government bond sales                      | (216.847.038)                | (141.455.371)                |
| Bank bond sales                            | (5.219.955)                  | (7.003.878)                  |
| Investment fund sales                      | (4.250.000)                  | (2.120.039)                  |
| Equity security sales                      | (4.281.522)                  | (2.103.377)                  |
| Private sector bond sales                  | (4.069.412)                  | (1.030.607)                  |
| Commercial paper sales                     | --                           | (274.425)                    |
| <b>Total cost of sales</b>                 | <b>(234.667.927)</b>         | <b>(153.987.697)</b>         |
| <b>Gross profit</b>                        | <b>32.775.372</b>            | <b>23.786.414</b>            |

## Notes to the Financial Statements

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#### 17 Marketing expenses and general administrative expenses

For the years ended 31 December 2013 and 31 December 2012, general administrative expenses are as follows:

|                                                                    | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|--------------------------------------------------------------------|------------------------------|------------------------------|
| <i>General administrative expenses</i>                             |                              |                              |
| Personnel expenses                                                 | 12.933.954                   | 9.169.795                    |
| - Salaries                                                         | 9.810.648                    | 6.595.290                    |
| - Personnel insurance expenses                                     | 1.658.289                    | 1.285.130                    |
| - Personnel food expenses                                          | 435.470                      | 357.477                      |
| - Personnel service expenses                                       | 586.304                      | 272.492                      |
| - Other personnel expenses                                         | 443.243                      | 659.406                      |
| Depreciation and amortisation expenses                             | 963.472                      | 864.597                      |
| Rent expenses                                                      | 872.452                      | 890.467                      |
| Outsourced benefits and services                                   | 750.275                      | 742.919                      |
| Audit and advisory expenses                                        | 552.922                      | 136.309                      |
| Data monitor expenses                                              | 518.006                      | 53.388                       |
| Corporate finance expenses                                         | 503.183                      | 87.379                       |
| Electricity, water and telephone expenses                          | 378.313                      | 460.439                      |
| Taxes and dues                                                     | 371.888                      | 665.135                      |
| T. Halk Bankası AŞ common expense participation provision expenses | 337.884                      | 108.717                      |
| Maintenance and repair expenses                                    | 110.691                      | 66.150                       |
| Other                                                              | 1.374.461                    | 970.197                      |
| <b>Total</b>                                                       | <b>19.667.501</b>            | <b>14.215.492</b>            |

For the years ended 31 December 2013 and 31 December 2012, marketing expenses are as follows:

|                                               | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|-----------------------------------------------|------------------------------|------------------------------|
| <i>Marketing expenses</i>                     |                              |                              |
| Share of stock exchange expenses              | 1.908.153                    | 1.257.419                    |
| Public offering commissions expenses          | 1.721.873                    | 253.792                      |
| Data screen expenses                          | 488.773                      | 660.245                      |
| Data server expenses                          | 440.560                      | 458.241                      |
| Advertising, notice and subscription expenses | 325.986                      | 149.647                      |
| Commission and service expenses               | 325.558                      | 354.743                      |
| Sponsorship expenses                          | 212.500                      | 250.000                      |
| Stock exchange and association subscriptions  | 149.395                      | 35.016                       |
| Stock exchange access expenses                | 98.867                       | 91.895                       |
| Representation expenses                       | 66.188                       | 5.913                        |
| Internet and website expenses                 | 49.238                       | 41.722                       |
| Other                                         | 2.041                        | 53.417                       |
| <b>Total</b>                                  | <b>5.789.132</b>             | <b>3.612.050</b>             |

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### 18 Expenses by function

The Company has classified the expenses on function basis in the accompanying financial statements. Depreciation and amortisation expenses for the year ended 31 December 2013 are TL 963.472 (31 December 2012: TL 864.597). Employee severance pay liability expense for the year ended 31 December 2013 is amounting to TL 76.518. Vacation pay liability expense for the year ended 31 December 2013 is amounting TL 239.074 (31 December 2012: TL 383.245 of employee severance pay liability expense, TL 94.986 of vacation pay liability expense).

### 19 Other operating income / expenses

For the years ended 31 December 2013 and 31 December 2012, other operating income and expenses are as follows:

| <i>Other operating income</i>       | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|-------------------------------------|------------------------------|------------------------------|
| Other service income <sup>(1)</sup> | 625.218                      | 639.825                      |
| Other income and profits            | 325.568                      | 27.804                       |
| Provisions no longer required       | 4.310                        | 55.963                       |
| <b>Total</b>                        | <b>955.096</b>               | <b>723.592</b>               |

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

| <i>Other operating expenses</i> | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|---------------------------------|------------------------------|------------------------------|
| Lawsuit provisions              | 70.105                       | 8.300                        |
| Other expenses and losses       | 20.956                       | (1.744)                      |
| <b>Total</b>                    | <b>91.061</b>                | <b>6.556</b>                 |

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#### 20 Finance income / costs

For the years ended 31 December 2013 and 31 December 2012, finance income and costs are as follows:

| <i>Finance income</i>                               | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|-----------------------------------------------------|------------------------------|------------------------------|
| Interest income on time deposits                    | 17.664.961                   | 5.175.215                    |
| Interest income on reverse repurchase agreements    | 3.567.876                    | 3.988.642                    |
| Accrual income on government bonds/ treasury bills  | 1.676.598                    | 1.136.661                    |
| Exchange gains                                      | 193.858                      | --                           |
| Value increase of equity investments                | 27.573                       | 2.807.109                    |
| Dividend income from affiliates                     | 7.728                        | 2.292                        |
| Other                                               | 169.315                      | 151.336                      |
| <b>Total</b>                                        | <b>23.307.909</b>            | <b>13.261.255</b>            |
| <i>Finance costs</i>                                | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
| Interest expense on borrowings                      | 16.095.425                   | 4.023.620                    |
| Interest expense on repurchase agreements           | 3.790.117                    | 3.270.459                    |
| Letter of guarantee commissions                     | 725.916                      | 206.513                      |
| Accrual expense on government bonds/ treasury bills | 186.392                      | --                           |
| Exchange losses                                     | 155.357                      | --                           |
| Portfolio management losses                         | 74.619                       | --                           |
| <b>Total</b>                                        | <b>21.027.826</b>            | <b>7.500.592</b>             |

#### 21 Taxation

As at 31 December 2013 and 31 December 2012, the corporate tax rate is 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

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

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

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

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

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

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices in the fourth month following the accounting closing date of the related year. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 31 December 2013 and 31 December 2012, are as follows:

|                                                      | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|------------------------------------------------------|------------------------------|------------------------------|
| Profit before income tax                             | 10.800.153                   | 12.555.651                   |
| Corporate tax computed with statutory tax rate (20%) | 2.160.031                    | 2.511.130                    |
| Disallowable expenses                                | 16.288                       | 8.741                        |
| Tax exempt income                                    | (60.696)                     | (23.196)                     |
| <b>Tax expense</b>                                   | <b>2.115.623</b>             | <b>2.496.675</b>             |

For the year ended 31 December 2013, effective tax rate is 20% (31 December 2012: 20%).

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For the years ended 31 December 2013 and 31 December 2012, details of the tax expenses are as follows:

|                               | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|-------------------------------|------------------------------|------------------------------|
| Current income tax expense    | 2.311.669                    | 1.999.482                    |
| Deferred tax (income)/expense | (196.046)                    | 497.193                      |
| <b>Tax expense</b>            | <b>2.115.623</b>             | <b>2.496.675</b>             |

As at 31 December 2013 and 31 December 2012, the corporation tax payable after deduction of prepaid taxes is presented as in the "current income tax liabilities" account or "current tax assets" account.

|                             | 31 December 2013 | 31 December 2012 |
|-----------------------------|------------------|------------------|
| Transfer from previous year | 60.882           | (189.206)        |
| Current income tax expense  | (2.311.669)      | (1.999.482)      |
| Prepaid taxes               | 3.417.919        | 2.249.570        |
| <b>Current tax assets</b>   | <b>1.167.132</b> | <b>60.882</b>    |

#### Deferred tax

As at 31 December 2013 and 31 December 2012, assets and liabilities bearing deferred tax assets and liabilities are as follows:

|                                     | 31 December 2013 | 31 December 2012 |
|-------------------------------------|------------------|------------------|
| <b>Deferred tax assets</b>          |                  |                  |
| Personnel dividend bonus provision  | 190.337          | --               |
| Unused vacation pay liability       | 115.509          | 79.363           |
| Reserve for severance pay liability | 52.708           | 56.969           |
| Lawsuit provision                   | 18.586           | 4.565            |
| Allowance for doubtful receivables  | 6.519            | 4.092            |
| Derivative liabilities              | 5.370            | --               |
| Other                               | --               | 5.674            |
| <b>Total deferred tax assets</b>    | <b>389.029</b>   | <b>150.663</b>   |

#### Deferred tax liabilities

|                                                                                                                                                 |                |                |
|-------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Financial assets                                                                                                                                | 538.764        | 509.919        |
| Effect of the depreciation and amortisation method difference between tax regulations and financial reporting on tangible and intangible assets | 85.886         | 76.618         |
| Other                                                                                                                                           | 13.371         | 6.988          |
| <b>Total deferred tax liabilities</b>                                                                                                           | <b>638.021</b> | <b>593.525</b> |

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| <b>Net deferred tax liabilities</b> | <b>(248.992)</b> | <b>(442.862)</b> |
|-------------------------------------|------------------|------------------|

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## 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 transactions

As at 31 December 2013 and 31 December 2012, balances with related parties are as follows:

|                                                | 31 December 2013   | 31 December 2012   |
|------------------------------------------------|--------------------|--------------------|
| <b>Cash and cash equivalents</b>               |                    |                    |
| T. Halk Bankası AŞ                             | 231.945.688        | 151.660.156        |
| <b>Total</b>                                   | <b>231.945.688</b> | <b>151.660.156</b> |
| <b>Trade receivables from related parties</b>  |                    |                    |
| T. Halk Bankası AŞ                             | 1.598.600          | --                 |
| London subsidiary expenses                     | 363.776            | --                 |
| Halk Yatırım Menk. Değ. AŞ B Tipi Şemsiye Fonu | 46.526             | 15.141             |
| Halk Hayat ve Emeklilik AŞ                     | 32.450             | 16.225             |
| Halk Yatırım AŞ B tipi Likit Fon               | 11.894             | 23.112             |
| Halk Sigorta AŞ                                | 5.936              | 47.200             |
| Halk Gayrimenkul Yatırım Ortaklığı AŞ          | 5.900              | 29.500             |
| Halk Portföy Yönetimi AŞ                       | 3.221              | 6.166              |
| Halk Yatırım AŞ İMKB 30 Endeks Fon             | 2.850              | 3.851              |
| Other                                          | 188                | 2.850              |
| <b>Total</b>                                   | <b>2.071.341</b>   | <b>144.045</b>     |
|                                                | 31 December 2013   | 31 December 2012   |
| <b>Payables to related parties</b>             |                    |                    |
| T. Halk Bankası AŞ                             | 829.298            | --                 |
| Halk Hayat ve Emeklilik AŞ                     | 93                 | --                 |
| Halk Portföy Yönetimi AŞ                       | --                 | 7.835              |
| Halk Sigorta AŞ                                | --                 | 55                 |
| <b>Total</b>                                   | <b>829.391</b>     | <b>7.890</b>       |

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#### Transactions with related parties

For the years ended 31 December 2013 and 31 December 2012, transactions with related parties are as follows:

#### Income from related parties

|                                              | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|----------------------------------------------|------------------------------|------------------------------|
| <b>T. Halk Bankası AŞ</b>                    |                              |                              |
| Interest income on time deposits             | 13.374.522                   | 5.175.215                    |
| Commission income on public offer            | 3.150.000                    | 1.053.992                    |
| Advisory service income                      | 212.400                      | 125.000                      |
| Fund management commission income            | --                           | 87.787                       |
| <b>Halk Yatırım B Tipi Likit Fon</b>         |                              |                              |
| Fund management commission income            | 755.126                      | 331.905                      |
| <b>Halk Gayrimenkul Yatırım Ortaklığı AŞ</b> |                              |                              |
| Security offering commissions                | 4.681.598                    | --                           |
| Advisory service income                      | 57.500                       | 400.000                      |
| <b>Halk Finansal Kiralama AŞ</b>             |                              |                              |
| Advisory service income                      | 2.950                        | 500.000                      |
| <b>Halk Sigorta AŞ</b>                       |                              |                              |
| Advisory service income                      | 73.750                       | 115.000                      |
| Commission income                            | 16.463                       | --                           |
| <b>Halk Hayat ve Emeklilik AŞ</b>            |                              |                              |
| Other service income                         | 332.270                      | 140.663                      |
| Commission income                            | 59.946                       | --                           |
| <b>Halk Portföy Yönetimi AŞ</b>              |                              |                              |
| Service income                               | 63.845                       | --                           |
| <b>Halk Faktoring AŞ</b>                     |                              |                              |
| Service income                               | 2.950                        | --                           |
| <b>Halkbank A.D. Skopje/Macedonia</b>        |                              |                              |
| Service income                               | 2.950                        | --                           |
| <b>Total</b>                                 | <b>22.786.270</b>            | <b>7.929.562</b>             |

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



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**Expenses to related parties**

|                                                     | 1 January - 31 December 2013 | 1 January - 31 December 2012 |
|-----------------------------------------------------|------------------------------|------------------------------|
| <b><u>T. Halk Bankası AŞ</u></b>                    |                              |                              |
| Agency rebates                                      | 2.574.957                    | 657.236                      |
| Public offering rebates                             | 1.721.873                    | 253.792                      |
| Rent expenses                                       | 662.036                      | 670.277                      |
| Common cost participation expenses                  | 349.776                      | 108.717                      |
| Interest expense on borrowings                      | 235.258                      | --                           |
| Sponsorship expenses                                | 200.000                      | 250.000                      |
| Bank transaction expenses                           | 11.763                       | --                           |
| Letter of guarantee commissions                     | 7.440                        | 6.895                        |
| <b><u>Halk Gayrimenkul Yatırım Ortaklığı AŞ</u></b> |                              |                              |
| Rent expenses                                       | 210.416                      | 220.190                      |
| <b><u>Halk Portföy Yönetimi AŞ.</u></b>             |                              |                              |
| Commission expense                                  | 64.539                       | --                           |
| Interest expense                                    | 2.329                        | 47.252                       |
| <b><u>Halk Sigorta AŞ</u></b>                       |                              |                              |
| Personnel and health insurance expenses             | 227.139                      | 185.427                      |
| Interest expense on repurchase agreements           | 226                          | --                           |
| <b><u>Halk Hayat ve Emeklilik AŞ</u></b>            |                              |                              |
| Personnel expenses- death insurance expenses        | 22.311                       | 40.056                       |
| Interest expense on repurchase agreements           | 421                          | --                           |
| <b>Total</b>                                        | <b>6.290.484</b>             | <b>2.439.842</b>             |

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

For the year ended 31 December 2013, wages and similar benefits provided to the top management including Chairman, Member of the Board of Directors, General Manager, General Coordinator, and Assistant General Managers is amounting to TL 1.921.974 (31 December 2012: TL 1.565.923).

**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.

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**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.

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

|                                                                                                                          | Receivables       |                    |                   |                | Cash at banks <sup>(1)</sup> | Financial assets <sup>(**)</sup> |
|--------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------|-------------------|----------------|------------------------------|----------------------------------|
|                                                                                                                          | Trade receivables |                    | Other receivables |                |                              |                                  |
|                                                                                                                          | Related party     | Other party        | Related party     | Other party    |                              |                                  |
| <b>31 December 2013</b>                                                                                                  |                   |                    |                   |                |                              |                                  |
| <b>Exposure to maximum credit risk as at reporting date (A+B+C+D+E)</b>                                                  | <b>2.071.341</b>  | <b>288.244.884</b> | <b>--</b>         | <b>666.419</b> | <b>268.901.325</b>           | <b>12.300.589</b>                |
| - Guaranteed part of maximum credit risk with collaterals etc                                                            | --                | --                 | --                | --             | --                           | --                               |
| A. Net carrying value of financial assets which are neither impaired nor overdue                                         | 2.071.341         | 288.152.613        | --                | 666.419        | 268.901.325                  | 12.300.589                       |
| B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired | --                | --                 | --                | --             | --                           | --                               |
| C. Net carrying value of financial assets which are overdue but not impaired                                             | --                | 92.271             | --                | --             | --                           | --                               |
| - Guaranteed part of risk with collaterals etc                                                                           | --                | 92.271             | --                | --             | --                           | --                               |
| D. Net carrying value of impaired assets                                                                                 | --                | --                 | --                | --             | --                           | --                               |
| - Overdue (gross book value)                                                                                             | --                | 32.596             | --                | --             | --                           | --                               |
| - Impairment (-)                                                                                                         | --                | 32.596             | --                | --             | --                           | --                               |
| - 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                                                                             | --                | --                 | --                | --             | --                           | --                               |

<sup>(1)</sup> Reverse repurchase agreements presented in cash and cash equivalents amounting to TL 1.068.542 is included.

<sup>(\*\*)</sup> There is no marketable securities will be matured within three months presented in cash and cash equivalents. Long term financial assets are not included. Since equity securities do not bear credit risk, they are not included in financial assets.

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| 31 December 2012                                                                                                         | Receivables       |             |                   |             | Cash at banks <sup>(1)</sup> | Financial assets <sup>(**)</sup> |
|--------------------------------------------------------------------------------------------------------------------------|-------------------|-------------|-------------------|-------------|------------------------------|----------------------------------|
|                                                                                                                          | Trade receivables |             | Other receivables |             |                              |                                  |
|                                                                                                                          | Related party     | Other party | Related party     | Other party |                              |                                  |
| Exposure to maximum credit risk as at reporting date (A+B+C+D+E)                                                         | 144.045           | 206.362.895 | --                | 531.218     | 151.790.722                  | 44.839.498                       |
| - Guaranteed part of maximum credit risk with collaterals etc.                                                           | --                | 206.362.895 | --                | --          | --                           | --                               |
| A. Net carrying value of financial assets which are neither impaired nor overdue                                         | 144.045           | 206.270.624 | --                | 531.218     | 151.790.722                  | 44.839.498                       |
| B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired | --                | --          | --                | --          | --                           | --                               |
| C. Net carrying value of financial assets which are overdue but not impaired                                             | --                | 92.271      | --                | --          | --                           | --                               |
| - Guaranteed part of risk with collaterals etc.                                                                          | --                | 92.271      | --                | --          | --                           | --                               |
| D. Net carrying value of impaired assets                                                                                 | --                | --          | --                | --          | --                           | --                               |
| - Overdue (gross book value)                                                                                             | --                | 20.460      | --                | --          | --                           | --                               |
| - Impairment (-)                                                                                                         | --                | 20.460      | --                | --          | --                           | --                               |
| - 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                                                                             | --                | --          | --                | --          | --                           | --                               |

<sup>(1)</sup> Reverse repurchase agreements presented in cash and cash equivalents amounting to TL 123.584 is included.

<sup>(\*\*)</sup> There is no marketable securities will be matured within three months presented in cash and cash equivalents. Long term financial assets are not included. Since equity securities do not bear credit risk, they are not included in financial assets.

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

|                                       | Receivables       |             |                   |             | Cash at banks | Financial investment |
|---------------------------------------|-------------------|-------------|-------------------|-------------|---------------|----------------------|
|                                       | Trade receivables |             | Other receivables |             |               |                      |
|                                       | Related party     | Other party | Related party     | Other party |               |                      |
| <b>31 December 2013</b>               |                   |             |                   |             |               |                      |
| Overdue 1-30 days                     | --                | --          | --                | --          | --            | --                   |
| Overdue 1-3 months                    | --                | --          | --                | --          | --            | --                   |
| Overdue 3-12 months                   | --                | --          | --                | --          | --            | --                   |
| Overdue 1-5 years                     | --                | --          | --                | --          | --            | --                   |
| Overdue more than 5 years             | --                | 92.271      | --                | --          | --            | --                   |
| Guaranteed part with collaterals etc. | --                | 92.271      | --                | --          | --            | --                   |

|                                       | Receivables       |             |                   |             | Cash at banks | Financial investment |
|---------------------------------------|-------------------|-------------|-------------------|-------------|---------------|----------------------|
|                                       | Trade receivables |             | Other receivables |             |               |                      |
|                                       | Related party     | Other party | Related party     | Other party |               |                      |
| <b>31 December 2012</b>               |                   |             |                   |             |               |                      |
| Overdue 1-30 days                     | --                | --          | --                | --          | --            | --                   |
| Overdue 1-3 months                    | --                | --          | --                | --          | --            | --                   |
| Overdue 3-12 months                   | --                | --          | --                | --          | --            | --                   |
| Overdue 1-5 years                     | --                | --          | --                | --          | --            | --                   |
| Overdue more than 5 years             | --                | 92.271      | --                | --          | --            | --                   |
| Guaranteed part with collaterals etc. | --                | 92.271      | --                | --          | --            | --                   |

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## 24.2 Liquidity risk

The residual contractual maturities of the Company's non-derivative financial liabilities as at 31 December 2013 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>512.994.796</b> | <b>513.774.234</b>              | <b>513.774.234</b> | --             | --        | --                |
| Financial liabilities                       | 263.467.755        | 264.235.183                     | 264.235.183        | --             | --        | --                |
| Trade payables                              | 249.500.192        | 249.512.202                     | 249.512.202        | --             | --        | --                |
| <b>Derivative financial liabilities</b>     | <b>26.849</b>      | <b>(9.791)</b>                  | --                 | <b>(9.791)</b> | --        | --                |
| Swap agreements                             |                    |                                 |                    |                |           |                   |
| Cash outflow                                | --                 | 632.743                         | --                 | 632.743        | --        | --                |
| Cash flow                                   | 26.849             | (642.534)                       | --                 | (642.534)      | --        | --                |

The residual contractual maturities of the Company's non-derivative financial liabilities as at 31 December 2012 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>351.330.228</b> | <b>351.670.243</b>              | <b>351.670.243</b> | --          | --        | --                |
| Financial liabilities                       | 147.811.690        | 148.123.998                     | 148.123.998        | --          | --        | --                |
| Trade payables                              | 203.518.538        | 203.546.245                     | 203.546.245        | --          | --        | --                |
| <b>Derivative financial liabilities</b>     | <b>--</b>          | <b>--</b>                       | --                 | --          | --        | --                |
| Swap agreements                             |                    |                                 |                    |             |           |                   |
| Cash outflow                                | --                 | --                              | --                 | --          | --        | --                |
| Cash flow                                   | --                 | --                              | --                 | --          | --        | --                |

As at 31 December 2013 and 31 December 2012, the liquidity requirement of the Company in accordance with Communiqué 34 is as follows:

|                                                   | 31 December 2013 | 31 December 2012 |
|---------------------------------------------------|------------------|------------------|
| Current assets (A)                                | 577.205.257      | 408.939.215      |
| Current liabilities (B)                           | 515.964.476      | 353.020.487      |
| <b>Current assets / current liabilities (A/B)</b> | <b>1,12</b>      | <b>1,16</b>      |

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

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**24.3 Market risk**

*Foreign currency risk*

The Company's foreign currency denominated monetary assets is amounting USD 381.533 which equals to TL 814.306 as at 31 December 2013. A 10 percent devaluation of the TL against the US Dollar as at 31 December 2013 would have increased equity and profit or loss (excluding tax effects) by the amount TL 81.431 (31 December 2012: None). This analysis assumes that all other variables, in particular interest rates, remain constant.

*Fair value sensitivity of equity securities*

Equity price risk is the risk that the fair values of equities decrease as a result of the changes in the levels of equity indices and the value of individual stocks.

As at 31 December 2013, the effect on income as a result of change in the fair value of equity instruments held as held for trading financial assets traded at Istanbul Stock Exchange Market due to a reasonably possible 10% change in equity indices, with all other variables held constant is TL 813.914 (31 December 2012: TL 632.907).

*Interest rate risk*

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

Interest risk position table

|                                                     |                                                       | 31 December 2013 | 31 December 2012 |
|-----------------------------------------------------|-------------------------------------------------------|------------------|------------------|
| <b>Fixed interest rate financial instruments</b>    |                                                       |                  |                  |
| Financial assets                                    | Financial assets at fair value through profit or loss | 3.893.024        | 39.682.338       |
|                                                     | Time deposits                                         | 255.314.345      | 145.080.998      |
|                                                     | Receivables from reverse repurchase agreements        | 1.068.542        | 123.584          |
| Trade receivables                                   | Receivables from loan customers                       | 60.721.458       | 46.595.795       |
| Financial liabilities                               | Financial payables                                    | 263.467.755      | 147.811.690      |
| <b>Floating interest rate financial instruments</b> |                                                       |                  |                  |
| Financial assets                                    | Financial assets at fair value through profit or loss | 8.407.565        | 5.157.160        |
| Financial liabilities                               | Financial payables                                    | --               | --               |

Equity securities are not included in financial investments.

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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 2013 and 31 December 2012 would be as follows:

|                         | Profit/(loss)      |                    | Equity             |                    |
|-------------------------|--------------------|--------------------|--------------------|--------------------|
|                         | 100 bp<br>increase | 100 bp<br>decrease | 100 bp<br>increase | 100 bp<br>decrease |
| <b>31 December 2013</b> |                    |                    |                    |                    |
| Debt securities         | (28.739)           | 9.541              | (28.739)           | 9.541              |
| <b>31 December 2012</b> |                    |                    |                    |                    |
| Debt securities         | (112.892)          | 138.306            | (112.892)          | 138.306            |

#### 24.4 Capital management

As at 31 December 2013 and 31 December 2012, the Company should have a minimum capital amounting TL 10.570.000 and TL 2.087.000, respectively in accordance with the certificates of authorisation in the scope of Communiqué 34, in order to make portfolio management, investment advisory, reverse repo and repurchase trading, margin trading, short selling, intermediary to public offerings, brokerage for trading at Turkish Derivatives Exchange.

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 organised 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 organised markets.

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As at 31 December 2013, capital adequacy base for the Company is TL 68.772.284 (31 December 2012: TL 60.353.281). Base for the capital adequacy liability could not be less than following items.

- Minimum equity capital corresponding to certificate of authorisation,
- Risk provision,
- Operational expenses occurred last three months before valuation date.

As at 31 December 2013, 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.

As at 31 December 2013 and 31 December 2012, the risk provision amounts calculated in accordance with the regulations of Communiqué 34 are as follows:

|                       | 31 December 2013  | 31 December 2012  |
|-----------------------|-------------------|-------------------|
| Position risk         | 24.728.696        | 18.151.135        |
| Counter party risk    | 13.521.422        | 7.519.248         |
| Foreign currency risk | --                | --                |
| Concentration risk    | --                | --                |
| <b>Total</b>          | <b>38.250.118</b> | <b>25.670.383</b> |



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## **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 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.

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

| 31 December 2013                   | Level 1    | Level 2   | Level 3 | Total      |
|------------------------------------|------------|-----------|---------|------------|
| <b>Financial assets</b>            |            |           |         |            |
| Financial investments (short term) | 20.129.609 | --        | --      | 20.129.609 |
| Financial investments (long term)  | 310.128    | 4.912.997 | --      | 5.223.125  |
| <b>Financial liabilities</b>       |            |           |         |            |
| Derivative financial instruments   | --         | (26.849)  | --      | (26.849)   |
| 31 December 2012                   | Level 1    | Level 2   | Level 3 | Total      |
| <b>Financial assets</b>            |            |           |         |            |
| Financial investments (short term) | 51.168.564 | --        | --      | 51.168.564 |
| Financial investments (long term)  | --         | 3.630.786 | --      | 3.630.786  |
| <b>Financial liabilities</b>       |            |           |         |            |
| Derivative financial instruments   | --         | --        | --      | --         |

Fair values of Halk Hayat ve Emeklilik AŞ ve 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 in the current year, the fair value is calculated over the market price and classified as Level 1 in the table above.

#### **26 Events after reporting period**

None.

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