

PRINCIPLES
SHAPING
THE FUTURE

INDEX

	About Halk Invest
12	Halk Invest in Brief
14	Initiatives of Halk Invest
16	Major Indicators
18	Capital and Shareholding Structure
22	Halkbank in Brief
24	Developments in 2017
30	Milestones
32	Ratings Received from Credit Rating Agencies
	Management
34	Chairman's Message
36	Board of Directors
38	Message from the CEO
40	Top Management
42	Organizational Chart
	Review of Operations in 2017
46	Macroeconomic Outlook
48	Domestic Sales
50	Investment Advisory and Individual Portfolio Management
52	Research
54	Treasury
56	Portfolio Brokerage
58	Corporate Finance and Advisory
62	Information Technologies
64	Marketing and Corporate Communication
66	Internal Audit
67	Support Units
	Financial Affairs
	Operations
	Human Resources
	Sustainability and Corporate Social Responsibility
70	Corporate Social Responsibility Projects
	Corporate Governance
72	Compliance with Corporate Governance Principles
	Financial Tables
81	Financial Statements Together with Independent Auditors' Report as of December 31, 2017



UNESCO
Aizanoi – Çavdarhisar/Kütahya, Turkey

Date of Submission

13/04/2014

Criteria

(ii) (iv)

Category

Cultural

Submitted by

Permanent Delegation of
Turkey to UNESCO

State, Province or Region

District of Çavdarhisar,
Province of Kütahya

Coordinates

N39 11 41 E29 37 49

Ref.

5724

Halk Yatırım Menkul Değerler A.Ş. continues to be the Main Sponsor of the Aizanoi Ancient City Excavation Works pursuant to the Circular on Incentivizing Support Activities in the Area of Culture numbered 190572 and dated October 1, 2013 of the Turkish Republic Ministry of Culture and Tourism.

FROM THE WORLD'S FIRST KNOWN STOCK MARKET TO PRINCIPLES SHAPING THE FUTURE OF CAPITAL MARKETS...

Thanks to our efficiency-based business model, Halk Invest embraces an innovative approach to make a difference in the development of capital markets. We meticulously work toward further improving our products and services that make up our quality range.

We support projects that add value to people's lives not only in our area of expertise but also with our social responsibility understanding.

With this approach, we began supporting the Aizanoi ancient city excavation in 2013. The 1,700-year-old site is located in the Çavdarhisar district of Kütahya province and was home to the world's first known stock market. As of 2017, we continue our support as "Main Sponsor".

We are hereby reporting our business activities, firsts and successes in the spirit of Aizanoi – the ancient city of firsts.



INITIATIVES SHAPING THE FUTURE...

This is the Phrygian city of Aizanoi, an ancient metropolis that has made its mark in history with many firsts and innovations. The world's first stock market building was located in this city. The walls of the round-shaped structure (Macellum), previously used as a grain market, bear inscriptions showing the prices of all products sold on the empire's markets, rules set up by Emperor Diocletian to fight inflation and his pricing proclamations.

With our innovation vision, Halk Invest is committed to introducing “firsts” to the industry. For the last five years, we have worked on sukuk issues that will contribute to the growth of Turkey's capital markets.

We are proud to have undertaken the country's first agricultural commodities sukuk issue and the first real estate investment trust sukuk issuance. The agricultural commodities sukuk issue we executed was deemed worthy of the “Turkey's Best Islamic Finance Transaction in 2017” award from Islamic Finance News.



STEP-BY-STEP GROWTH...

Along the columned road in the city of Aizanoi, shops and galleries lead to the stock market building in the north east. Thanks to the presence of the stock market and shops, trade picked up considerably at the time. As a result, the first steps toward growth and public welfare were taken on this road.



We continue to grow as we move forward on the path we have forged with our experience and determination. In 2017, we achieved above-sector increases in efficiency and volume in our capital markets activities.



BUILT ON SOLID FOUNDATIONS...

Life in Aizanoi is estimated to have started in about 3,000 B.C.E. The city's name is thought to have been coined from the combination of Erato, mythological hero Azan's water nymph, and Arkas, the legendary King.

Halkbank forms the basis of our name and solid reputation. Thanks to this synergy and our organizational efforts in previous years, Halk Invest continues to add value to the industry. We produce results in all our business processes, which are corporate-based, sustainable, trustworthy, efficient and ethical.



HOSTING CROWDS...

Other significant remains uncovered at Aizanoi include the theatre that seats 15 thousand persons and stadium adjacent to it, located north east of the temple. These key structures have hosted large numbers of people and have witnessed unforgettable moments over the years.

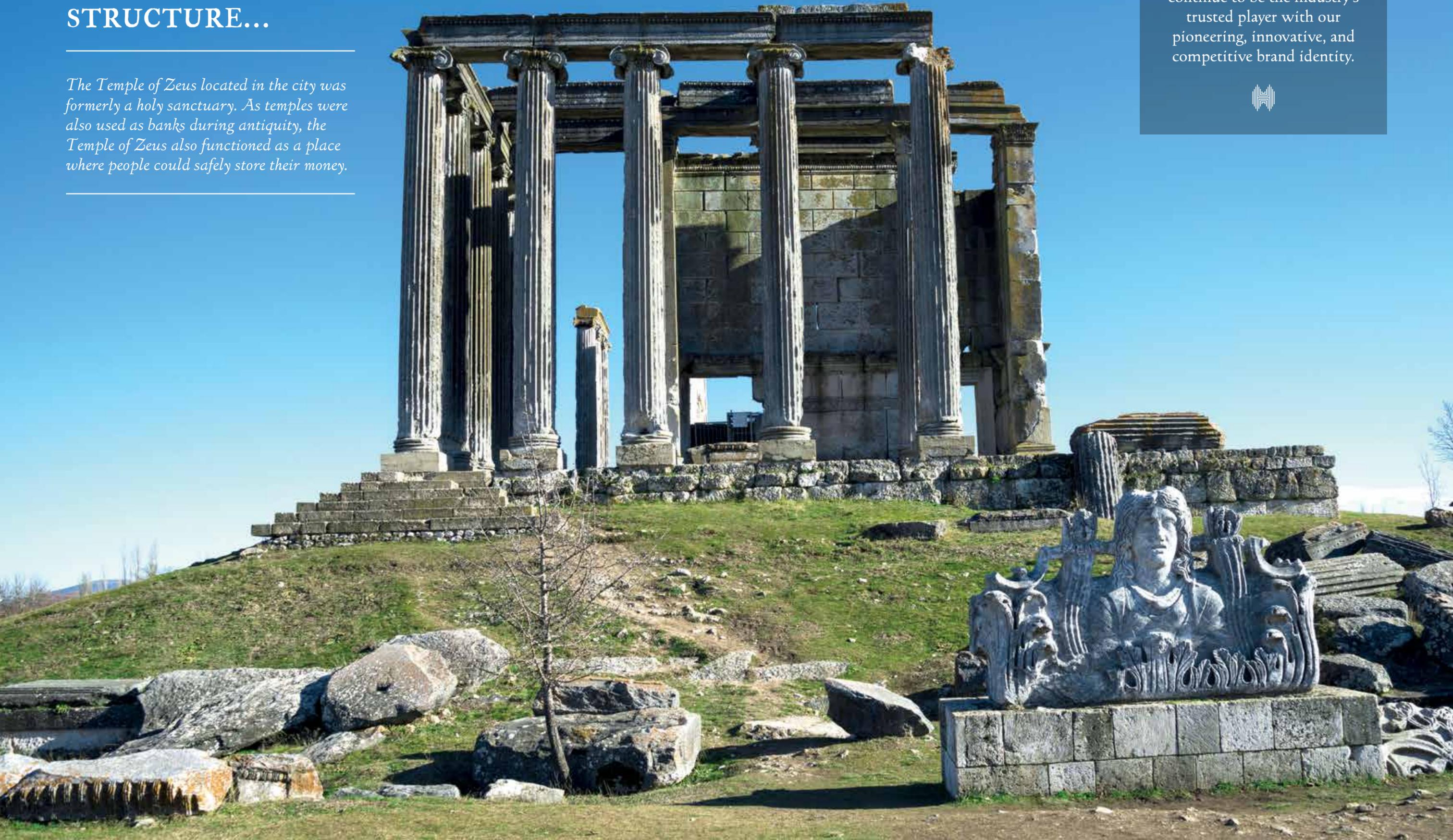
At Halk Invest, we aim to provide our broad customer base with a high-quality, user-friendly investment transaction experience. By efficiently using Halkbank's extensive distribution network, we provide our customers with the opportunity to manage their investments wherever they are in Turkey.



A TRUSTWORTHY AND STRONG STRUCTURE...

The Temple of Zeus located in the city was formerly a holy sanctuary. As temples were also used as banks during antiquity, the Temple of Zeus also functioned as a place where people could safely store their money.

We love our job and take it seriously. By bolstering our position as a reference point in capital markets, we continue to be the industry's trusted player with our pioneering, innovative, and competitive brand identity.



HALK INVEST IN BRIEF

By accurately interpreting and evaluating the growth dynamics of our economy, Halk Invest continues to lead the industry's advancement with its strong belief in the future of Turkey's capital markets and its forward-looking service approach.

Basic Information

Founding Year: 1997

Operational Year: 1998

Number of Employees: 135

Average Age of Employees: 36

Employees' Level of Education:
97% Higher Education

Women/Total: 44%

Halk Invest was established on September 2, 1997 with the aim of conducting brokerage operations in capital markets.

Founded under the provisions of Articles 37 and 38 of Capital Markets Law No. 6362, Halk Invest commenced business operations in order to perform investment services and activities, and ancillary services as a subsidiary of T. Halk Bankası A.Ş. (Halkbank), which owns 99.96% of the Company. It is an intermediary with a broad authority.

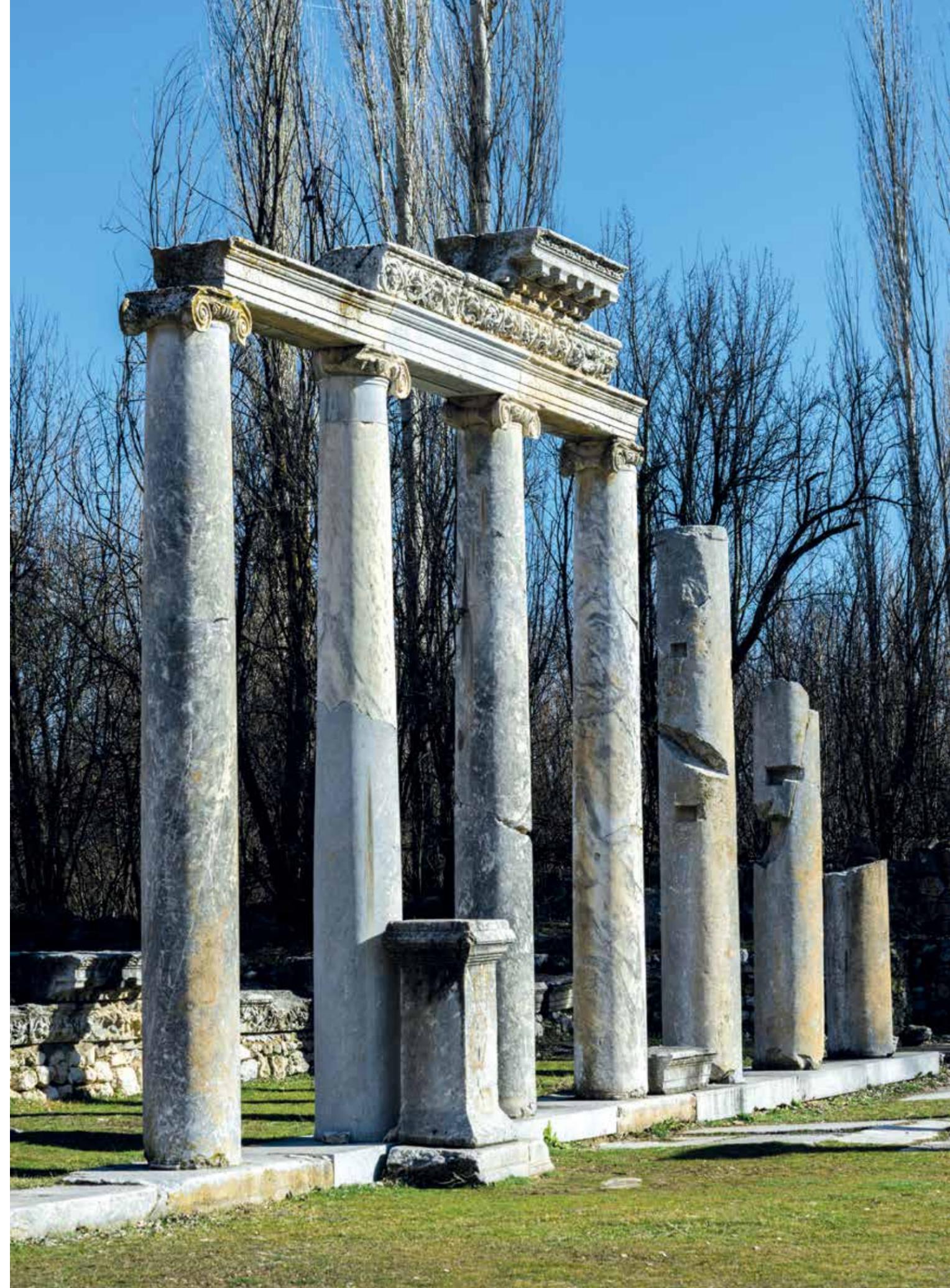
Halk Invest has a broad-authority brokerage institution status. The Company's license was approved by a Capital Markets Board decision dated October 15, 2015. As an intermediary with a broad authority, Halk Invest provides the following services and solutions:

- * Trading Brokerage,
- * Portfolio Management,
- * Individual Portfolio Management,
- * Public Listing Intermediary through Underwriting,
- * Investment Advisory,
- * Limited Custody Service.

Halk Invest's mission is to contribute to the distribution of capital to the societal base by offering capital markets services swiftly, safely and at high-quality.

Halk Invest delivers a wide range of services via its nine-branch network, alternative distribution channels and about 1,000 Türkiye Halk Bankası branches, where it provides brokerage activities. The Company ranks among the top brokerage firms in terms of key indicators such as equity capital, transaction volume and asset size.

Halk Invest was the leader or co-leader of domestic consortiums involved in three of the five largest public offerings undertaken in Turkey's capital markets. The Company is especially well-positioned in corporate finance – including public offerings, debt instruments, sukuk issues, and company M&A services.



INITIATIVES OF HALK INVEST

Halk Invest's mission is to offer swift, safe and high-quality services that contribute to the equitable distribution of capital to Turkey's societal base.

2011 Corporate Finance – First Export Broker Borrowing

Halk Invest's first restructured transaction and Halkbank's first domestic debt instrument issue.

2012 Corporate Finance First M&A

Kuwait-based NBK Capital fund participated in the M&A transaction for Bavet, a distributor of animal pharmaceuticals.

2014 First Sukuk Issue

The first sukuk issue for Kuveyt Türk Katılım Bankası.

2016 First Bond Issue

Halk Invest's first debt instrument issue.

2017 Turkey's First Agricultural Commodities Sukuk Issue

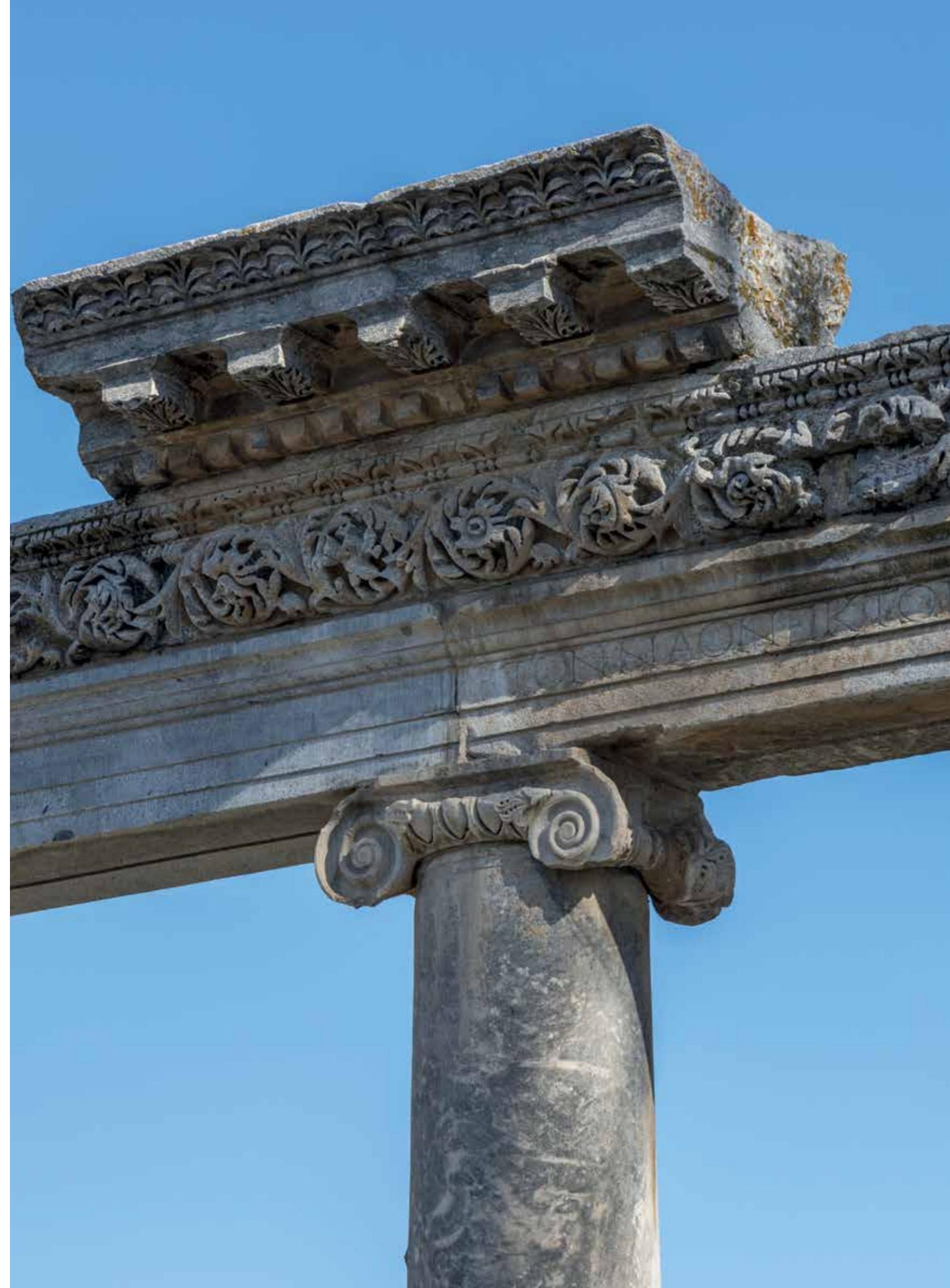
In the transaction where the Turkish Grain Board (TMO) obtained funds and Halk Invest served as restructuring and sales advisor, the Company undertook Turkey's first agricultural commodities sukuk issue. In addition, Halk Invest was the country's first intermediary for an issue transaction of a public institution other than the Treasury.

2017 Turkey's First Real Estate Investment Trust Sukuk Issue

Halk Gayrimenkul executed Turkey's first real estate investment trust sukuk issue on December 18, 2017 with the brokerage of Halk Invest.

2017 Secondary Capital Issue

Halkbank's secondary capital bond issue transaction, in which Halk Invest served as restructuring and sales advisor, received first prize in "The Year's Bond Transaction" category at the Bonds & Loans 2018 Awards competition.



MAJOR INDICATORS

SUMMARY FINANCIAL INDICATORS

Balance Sheet Items (TRY)	31.12.2017	31.12.2016
Assets		
Cash and Cash Equivalents	736,995,978	457,665,632
Total Trade Receivables	101,342,889	75,583,826
Assets	884,473,355	573,959,844
Resources		
Borrowings	663,058,807	414,759,466
Trade Liabilities	78,691,854	40,749,301
Shareholders' Equity	131,280,882	110,507,729
Net Profit for the Period	32,564,001	16,476,308
Total Resources	884,473,355	573,959,884
Income Table Items		
Pre-Tax Profit/ (Loss)	40,670,723	19,926,386
Tax	8,106,722	3,450,078
Net Profit/ (Loss) for the Period	32,564,001	16,476,308
Financial Ratios		
Liquidity Ratios		
Current Ratio (Current Assets/Current Liabilities)	116%	122%
Cash Ratio (Liquid Assets/Current Liabilities)	98%	99%
Financial Structure Ratios		
(Current Liabilities+Long-Term Liabilities)/Assets	85%	81%
Average Shareholders' Equity/Assets	14%	19%
Rate of Return		
Net Profit/Assets	4%	3%
Net Profit/Average Shareholder's Equity	27%	15%

SHAREHOLDERS' EQUITY (TRY MILLION)



CAPITAL AND SHAREHOLDING STRUCTURE

Halk Invest is a 99.96% subsidiary of Halkbank.

Halkbank Group A

TRY 36,900,000.00
45%

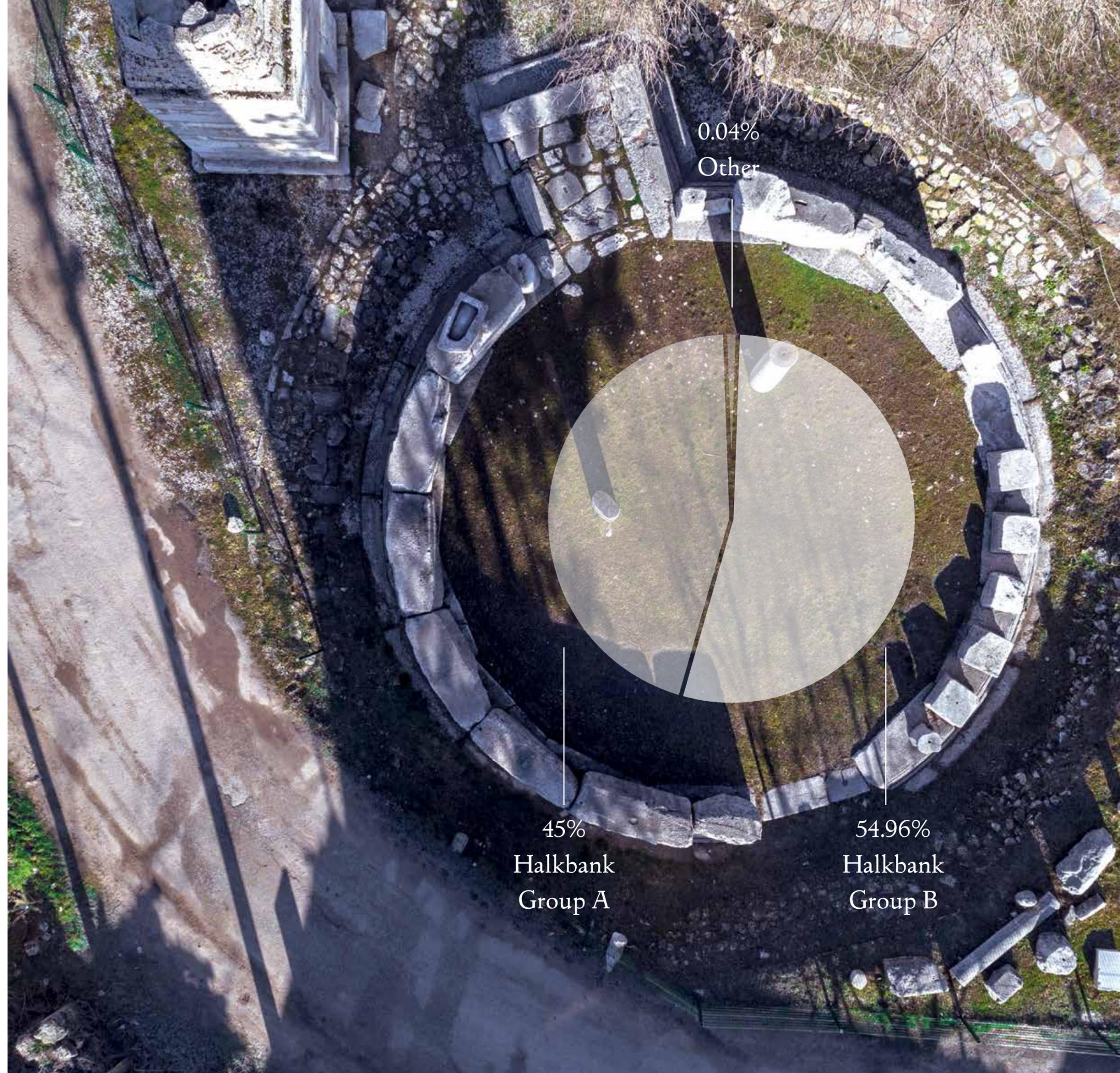
Halkbank Group B

TRY 45,067,199.92
54.96%

Other

TRY 32,800.08
0.04%

Total: TRY 82,000,000

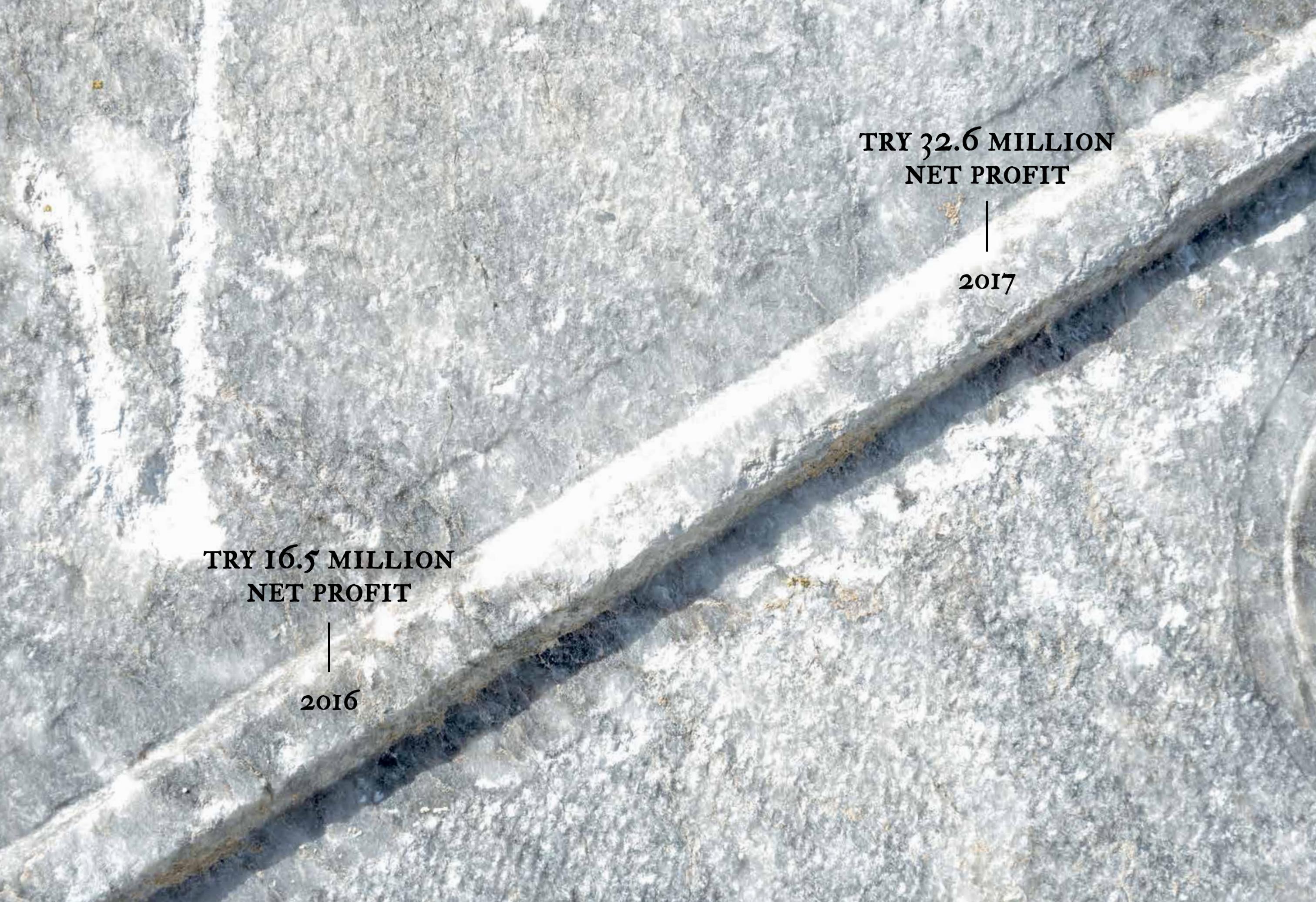


**TRY 32.6 MILLION
NET PROFIT**

2017

**TRY 16.5 MILLION
NET PROFIT**

2016



HALKBANK IN BRIEF

Having made major contributions to the Turkish financial industry over the years together with its subsidiaries, Halkbank was established in 1938 with the aim of providing loans with attractive terms for tradesmen, craftsmen and small business owners.

Established to support tradesmen and craftsmen and to accelerate long-term economic development, Halkbank's primary business strategy has remained unchanged for 79 years. Seeing every tradesman, farmer, and small, medium or large business owner as a business partner who produces and creates employment, the Bank regards providing support to them, in good days and bad, with all types of financing resources as its raison d'être. Halkbank continues to be the main supporter of SMEs by transferring 36.8% of its total loans to this key segment.

In line with its founding purpose, Halkbank continues to provide innovative products to shopkeepers and craftsmen. To help shopkeepers open their own businesses, the Bank offers "Treasury Supported Business Loans." To support the purchase of new automobiles to meet business needs, the Bank offers these customers "Treasury Supported Vehicle Purchase Loans." Embracing its mission to support Turkey's economy, Halkbank has provided a total of 1.6 million shopkeepers and craftsmen with Treasury Supported Loans worth TRY 71.3 billion over the last 15 years.

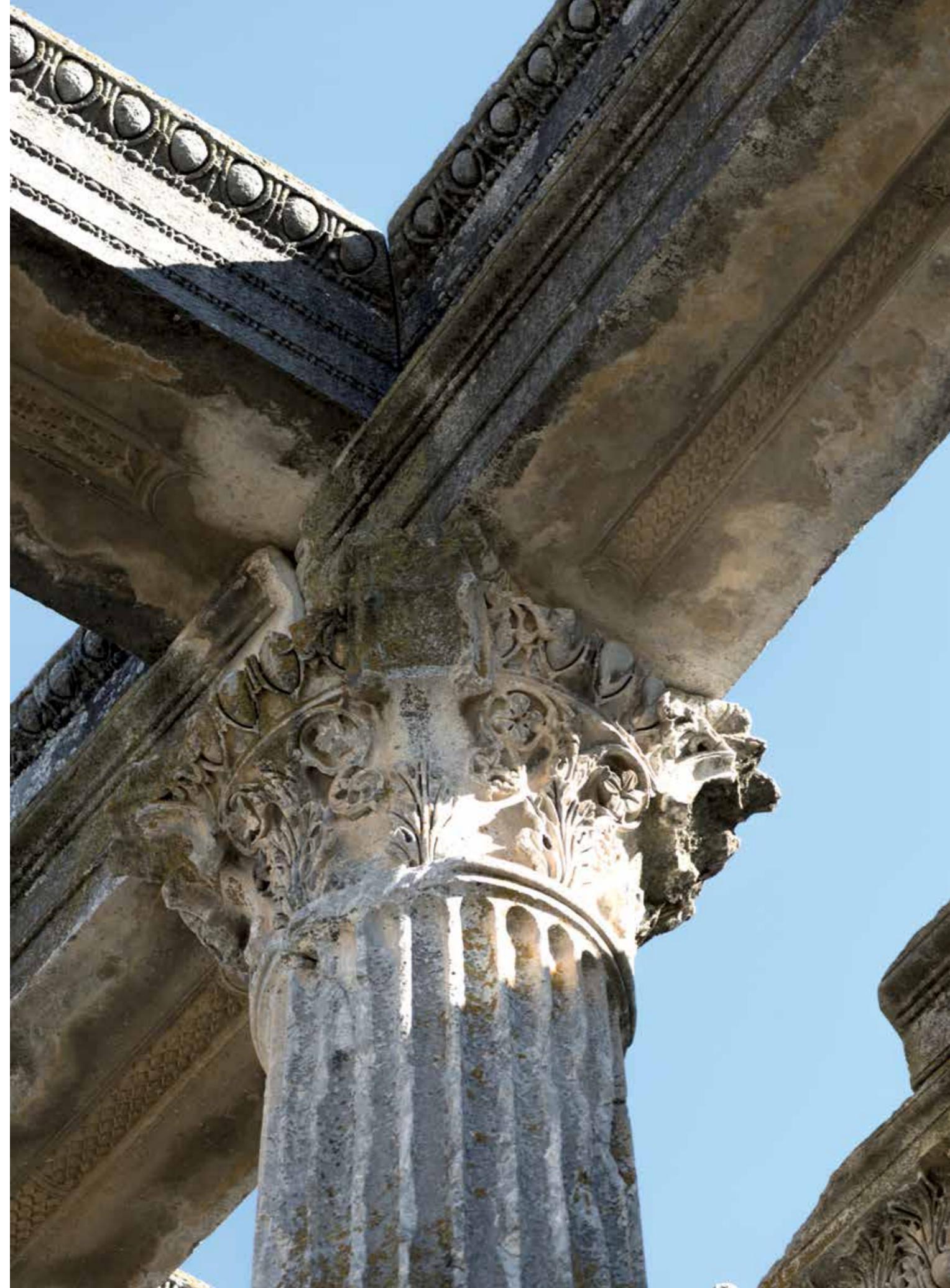
With a global vision and a portfolio of innovative products and services, Halkbank serves customers with 965 domestic branches; six foreign branch locations (five Turkish Republic of Northern Cyprus/TRNC branches, one Bahrain branch); three foreign representations;

one TRNC Country Directorate; 3,920 ATMs; telephone and internet banking; and mobile banking applications.

As of end-2017, Halkbank expanded its balance sheet size to TRY 305.4 billion, up 31.9% compared to end-2016. As a result, the Bank became Turkey's fifth largest banking institution in terms of asset size. In the same period Halkbank's shareholder's equity rose 19% to TRY 25.4 billion. The Bank reported net profit of TRY 3.7 billion in 2017.

Besides achieving financial successes, Halkbank also places great importance on undertaking efficient activities in the social, cultural and environmental areas where it operates. The Bank succeeded in ranking in the Emerging Markets Index (FTSE4Good Russell) of the FTSE, an independent organization of the London Stock Exchange and the Financial Times. Halkbank was included in this index thanks to its exceptional performance in environmental, social and corporate governance.

Halkbank's subsidiaries include Halk Sigorta A.Ş., Halk Hayat ve Emeklilik A.Ş., Halk Yatırım Menkul Değerler A.Ş., Halk Finansal Kiralama A.Ş., Halk Gayrimenkul Yatırım Ortaklığı A.Ş., Halkbank A.D. Skopje, Halkbank A.D. Beograd, Halk Portföy Yönetimi A.Ş., Halk Faktoring A.Ş., Bileşim Alternatif Dağıtım Kanalları A.Ş. and Halk Varlık Kiralama A.Ş.



DEVELOPMENTS IN 2017

In 2017, Halk Invest continued to break new ground by successfully completing Turkey's first agricultural commodities sukuk issue and the country's first real estate investment trust sukuk issuance.

HALK INVEST

TRY 884.5

Million
Total Assets

TRY 131.3

Million
Shareholder's Equity

TRY 32.6

Million
Net Profit for the Period

Changes in Management at Halk Invest

The Board of Directors at Halk Yatırım Menkul Değerler A.Ş., one of the leading companies in capital markets, appointed Serdar Sürer as CEO.

Between 1992 and 2002, Serdar Sürer worked as Member Representative and Real Estate Manager with different intermediaries. In 2002, during the restructuring period, he joined Halkbank's Treasury management team.

From 2012 onwards, Serdar Sürer served as Head of the Treasury Management Department at Halkbank and Member of the Board of Directors at Halk Invest. On November 1, 2017, he was appointed CEO at Halk Yatırım Menkul Değerler A.Ş.

Turkey's First Agricultural Commodities Sukuk Issue

Halk Yatırım Menkul Değerler A.Ş. completed the TRY 100 million nominal value 88-day term sukuk issue part of the Grain Management Board of Turkey (TMO)'s Lease Certificate First Issue Program on November 24, 2017 via a sales transaction to qualified private and institutional investors.

TMO was the fund user and source institution in the transaction, which was based on a management contract of acquisition/sales (100%). An agricultural commodity portfolio, consisting of Anatolian Type Red Hard Bread Wheat owned by TMO and stored in its warehouses, was used as underlying asset. This transaction marked Turkey's first brokerage for the debt instrument/sukuk issue of a public institution other than the Undersecretariat for the Treasury. In addition, the transaction was Turkey's and the world's first sukuk issue, in which agricultural commodities were physically used as an underlying asset for trade financing.

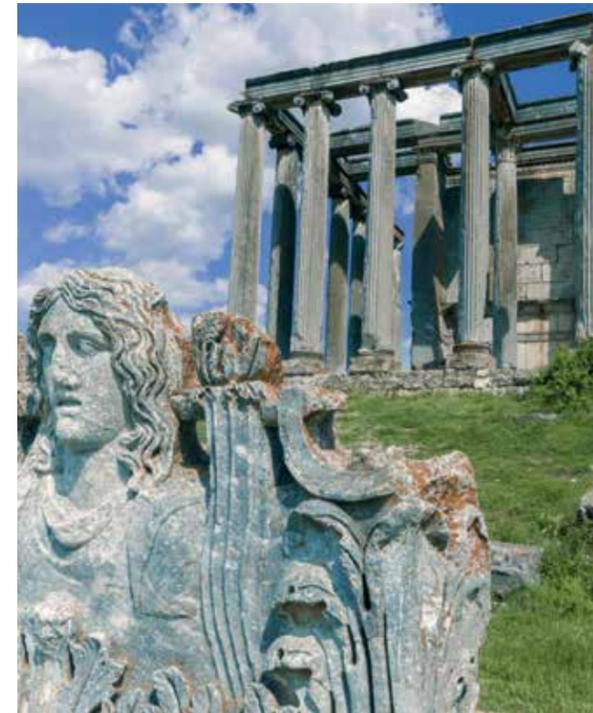


Turkey's First Real Estate Investment Trust Sukuk Issue

With Halk Invest serving as broker, Halk Gayrimenkul Yatırım Ortaklığı A.Ş. Halk Invest completed Turkey's first real estate investment trust sukuk issue on December 18, 2017. Thanks to Halk Invest's brokerage, Halk Gayrimenkul Yatırım Ortaklığı executed the 87-day term sukuk issue worth TRY 100 million.

This management contract-based transaction marked the first sukuk issue in Turkey's real estate investment trust (REIT) sector. The transaction is also the first of its kind in which Halk Varlık Kiralama A.Ş., the sukuk market's new player, participated as asset lease issuer.

Such ground-breaking transactions have served as major steps forward in achieving improvements in the sukuk markets, a newly developing instrument in domestic capital markets.



DEVELOPMENTS IN 2017

Believing that the past guides the future as well as its corporate culture, Halk Invest sees the protection of historic and cultural assets as a key component of its corporate social responsibility.

Secondary Capital Issue

Authorized for a total volume of TRY 3 billion, Halk Invest, as a first in its corporate history, completed Halkbank's domestic TRY-denominated debt instrument issue worth TRY 1 billion with a 10-year term on October 20, 2017. The qualified investor sales method was used in the transaction.

Halk Invest served as restructuring advisor and sales intermediary in the transaction, which recorded sales worth TRY 1 billion. Halk Invest aims to further boost its figures in debt instruments and sukuk markets in upcoming years.

The issue executed for Halkbank with a 10-year term was Halk Invest's 46th transaction in Turkey's capital markets.

Main Sponsorship of Aizanoi Ancient City

Since 2013, Halk Invest has supported excavation activities at the site of the 1,700-year-old Aizanoi city located in the Çavdarhisar district of Kütahya province; home to the world's first known stock market. The Company continues its support as "Main Sponsor" for the 2017-2019 period.

Believing that the past guides the future as well as its corporate culture, Halk Invest sees the protection of historic and cultural assets as a key component of its corporate social responsibility.

Excavation work at the ancient city of Aizanoi, one of our country's many historical assets, will uncover and leave behind an important heritage for future generations.





MILESTONES

2011

Halk Portföy Establishment
of 25% Partnership

2012

Halkbank Second Public
Offering USD 2.5 Billion

First Merger & Acquisition
(M&A) Advisory
Transaction

2013

First Outlook Report and
Investor Conference

Halk GYO Public Offering

Emlak GYO Second Public
Offering USD 1.6 Billion

Sponsorship of Aizanoi,
Home of the World's First
Known Stock Market

2014

First Sukuk Issue Brokerage
and Leadership with 40%
Market Share

Corporate Identity Activities

2015

Leadership in Sukuk Issues
with 68% Market Share

Diyarbakır Yıllarca Halkbank
Şehit Haşım Türkoğlu
Primary School

Halk Invest Memorial Forest

Turkey's Best Brokerage Firm
Award in Global Banking &
Finance Review Sukuk Issues

2016

JCR Rating AA (Trk)

First Halk Invest Bond Issue

Turkey's Best Brokerage
Firm Award in Sukuk
Issues and Corporate Social
Responsibility by Global
Banking & Finance Review

TSPB – Aizanoi Best
Corporate Social
Responsibility Project Award

2017

JCR Rating AA+ (Trk)

First Agricultural
Commodities Sukuk Issue

First Real Estate Investment
Trust Issue

Halkbank Secondary Capital
Bond Issue

Main Sponsorship of Aizanoi,
Home of the World's First
Known Stock Market

RATINGS RECEIVED FROM CREDIT RATING AGENCIES

JCR Eurasia Rating assessed Halk Yatırım Menkul Değerler A.Ş. as high-level investment grade. JCR-ER assigned the Company a rating of 'AA+(Trk)' on the Long-Term National Scale with a "Stable" outlook. Additionally, the Long-Term International Foreign and Local Currency Ratings were assigned as 'BBB -' with a "Stable" outlook.

Long-Term International Foreign Currency
BBB -/(Stable Outlook)

Long-Term International Local Currency
BBB -/(Stable Outlook)

Long-Term National Local Rating
AA+(Trk)/(Stable Outlook)

Long-Term Issue Rating
AA+(Trk)

Short-Term International Foreign Currency
A-3/(Stable Outlook)

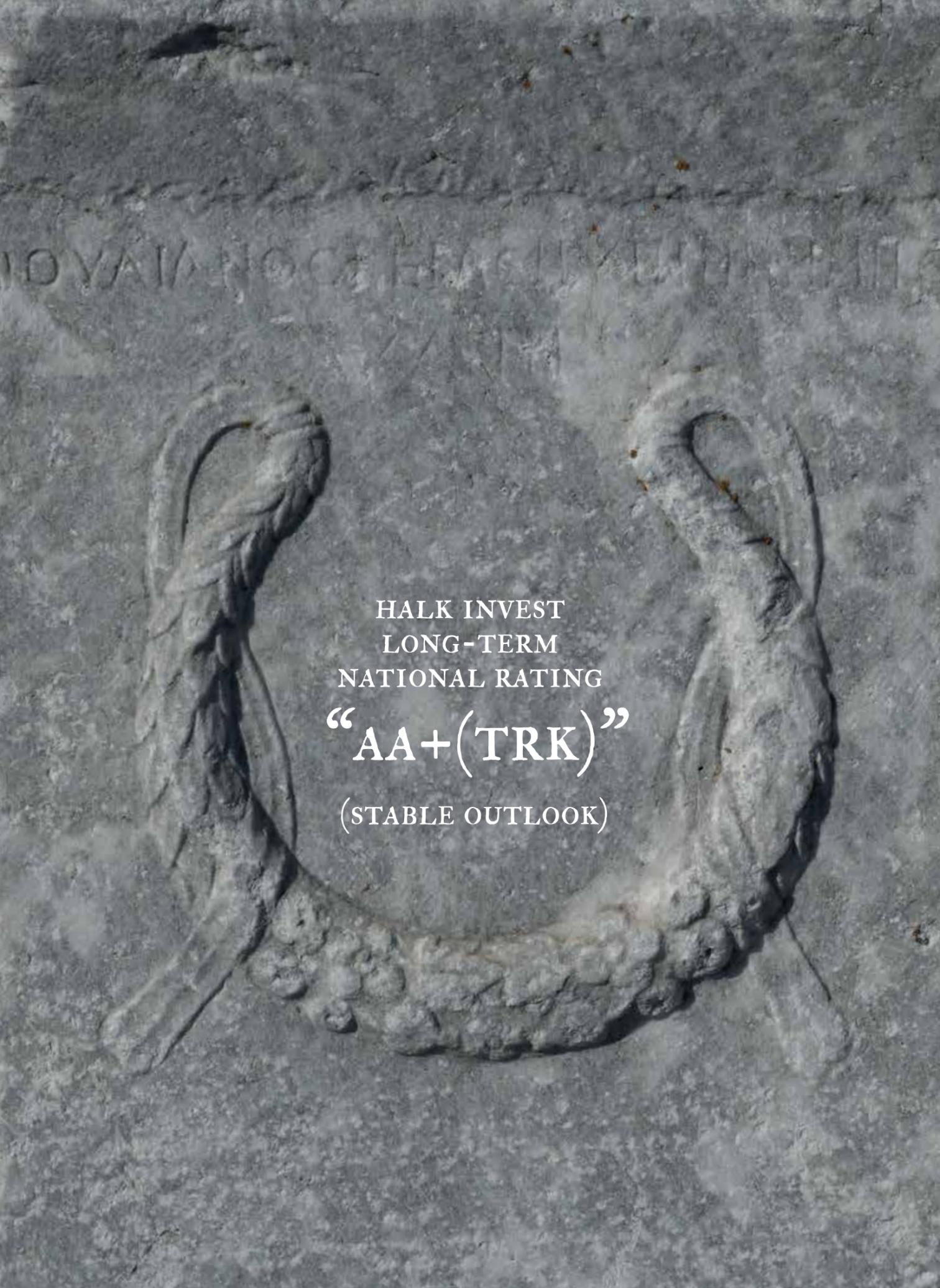
Short-Term International Local Currency
A-3/(Stable Outlook)

Short-Term National Local Rating
A-1+(Trk)/(Stable Outlook)

Short-Term Issue Rating
A-1+(Trk)

Sponsor Support
1

Stand-alone
A



HALK INVEST
LONG-TERM
NATIONAL RATING
“AA+(TRK)”
(STABLE OUTLOOK)

CHAIRMAN'S MESSAGE

Turkey will continue to attract international capital with its globally recognized growth performance.

Dear Shareholders,

2017 was a year in which – despite concerns surrounding global growth and monetary policy normalization forecasts – economic recovery came to the fore. However, this rebound did not create significant or lasting pressure on emerging markets. Although the year began anxiously with policy normalization concerns, growth indicators signaled a moderate recovery, while inflation and prices were below targets. This allayed fears of “quick normalization.” We are inevitably heading into a period in which the continuation of supportive liquidity conditions will be questioned more. As a result, we will witness more global fluctuations. Conditions for an early or rapid departure from current monetary policy approaches have not yet surfaced. Therefore, we believe that we are in a period in which investor interest in emerging markets continues, but more selective decisions are taken.

Domestically, our economy recorded moderate growth of 3.2% in 2016 and strong growth in 2017. Thanks to supportive financial policies, contributions of the Credit Guarantee Fund, a rebound in private consumer and investment spending and positive global economic conditions, the Turkish economy posted annual growth of 7.4% in 2017. As part of the positive perception of emerging markets, Turkey will continue to attract international capital in the coming year. Turkey is a standout with its globally recognized growth performance, strong budget balance, energy imports under moderate energy price outlooks and an ability to keep its current account deficit at sustainable levels.

Thanks to the positive risk perception of emerging markets and the strong domestic growth outlook, the BIST (Istanbul Stock Exchange) 100 index delivered a robust performance in 2017, jumping 47.6% (TRY-denominated). With an USD-denominated increase of 37.4%, the BIST 100 performed above the MSCI Emerging Country's Index, which rose 34.3%. Turkey's 10-year bond yield stood at 11.39% at end-2016 and at 11.67% at end-2017. During the same period, the USD/TRY exchange rate increased from 3.52 to 3.79.

Halk Invest, one of the dynamic forces of the Turkish economy, continues to strengthen its market position year by year. We are moving forward thanks to our effective strategies, Halkbank's strong distribution channels, our diversified core business areas, high service quality, balance sheet size, and uptrend in net profit. Halk Invest has consistently achieved success above sector averages. In 2017, we increased our net profit to TRY 32.6 million while return on equity rose from 15% to 27%.

Financial innovations accompanied the economic recovery in 2017. Halk Invest executed Turkey's first real estate investment trust sukuk issue and agricultural commodities sukuk issuance. The sukuk issue undertaken with TMO was recognized with the “Turkey's Best Islamic Finance Transaction in 2017” award by REDmoney Group's monthly Islamic Finance News (IFN) publication. IFN is widely known as one of the most prestigious news portals in the Islamic finance world.

Halk Invest continues to be committed to providing added value to the industry, increasing its quantitative targets and competency level, and bolstering its position as a reference point in capital markets. We will accomplish these goals backed by our well-qualified human resources and driven by the structural work we have undertaken in recent years.

Against this backdrop, I firmly believe that Halk Invest will achieve results that are in line with its targets and close fiscal year 2018 with success. I would like to give thanks to our main shareholder T. Halk Bankası A.Ş., our employees, our valued customers and all our business partners on behalf of the Board of Directors and myself.

Sincerely yours,

Yusuf Duran Ocak
Chairman



Halk Invest's sukuk issue with TMO was deemed worthy of the “Turkey's Best Islamic Finance Transaction in 2017” award from Islamic Finance News (IFN).

BOARD OF DIRECTORS

Yusuf Duran Ocak
Chairman of the Board of Directors

Yusuf Duran Ocak was born in Kadirli-Osmaniye in 1966. He graduated from Gazi University, Faculty of Economics and Administrative Sciences, Finance Department. At Türkiye Halk Bankası A.Ş., Mr. Ocak served as Deputy Inspector, Inspector, Deputy Head of the Inspection Board and Head of Department. Since July 2017, he has worked as Deputy General Manager in charge of Financial Management and Planning. Mr. Ocak serves as Chairman of the Board of Directors at Halk Yatırım Menkul Değerler A.Ş. He is also a Member of the Board of Directors at Halk Sigorta A.Ş.

Dursun Ali Alev
Vice Chairman

Dursun Ali Alev was born in Istanbul in 1962. He graduated from Anadolu University, Department of Business in 1991. Mr. Alev started his professional career at T. Halk Bankası A.Ş. in the Istanbul Branch as Bank Officer in 1985. He went on to work as Branch Manager at Halkbank; since 2005, he has served as Head of Treasury Operations. Mr. Alev is also Vice Chairman of the Board of Directors at Halk Yatırım Menkul Değerler A.Ş.

Serdar Sürer
Board Member and CEO

Serdar Sürer was born in Istanbul in 1972. He completed his primary, middle and high school education in Istanbul. Mr. Sürer graduated from Anadolu University, Faculty of Economics and Administrative Sciences, Department of Economics. Until 2002, he served as Member Representative, Stocks and Shares Manager for different intermediary institutions. In 2002, during its restructuring, Mr. Sürer began working within Halkbank's Treasury Management Department. Until 2017, he held various positions at Halkbank, ranging from Bonds

and Bills Manager to Head of the Treasury Management Department. Mr. Sürer has served as a Member of the Board of Directors at Halk Yatırım Menkul Değerler A.Ş. since 2012. In November 2017, he was appointed CEO at Halk Invest. Mr. Sürer is married and has two children. He is fluent in English.

Deniz Yıldırım
Board Member

Deniz Yıldırım was born in Çemişgezek-Tunceli in 1972. He graduated from Istanbul University, Department of International Relations in 1995. Mr. Yıldırım has a Master's degree in Management and Organization from Tunceli University. He started his professional career at KÖY-TÜR TAV A.Ş. in 1996. Mr. Yıldırım joined Türkiye Halk Bankası A.Ş. as a Civil Servant in 1999. He went on to work as Deputy Inspector, Inspector, Senior Inspector in the Department of the Inspection Board in 2002 and Gaziantep Branch Manager in 2007. Since 2011, Mr. Yıldırım has worked as Diyarbakır Regional Coordinator at Halkbank. He is also a Member of the Board of Directors at Halk Yatırım Menkul Değerler A.Ş.

Ahmet Erdoğan
Board Member

Ahmet Erdoğan completed his undergraduate degree at Hacettepe University, Faculty of Economics and Administrative Sciences, Department of Economics. He later obtained a graduate degree from Selçuk University, Institute of Social Sciences, Department of Publicity and Public Relations. Mr. Erdoğan started his professional career at Halkbank Bahçelievler-Ankara Branch; subsequently, he worked as an Expert at the Central Anatolia Regional Intelligence and Project Evaluation Directorate. Mr. Erdoğan began serving as Head of the Ankara Regional Intelligence and Project Evaluation Department in June 2003; Head of the Project Evaluation and Financial Analysis

Department of the General Directorate in June 2005; Head of the Department of Commercial Credits in December 2006; and Branch Manager at the Capital Commercial Branch-Ankara in February 2010. Since July 2011, he has worked as Head of the Department of Tradesmen Banking. In addition, Mr. Erdoğan served as a Member of the Board of Directors at Halk Sigorta A.Ş. between April 2014 and April 2015, and as a Representative of the Turkish Undersecretariat of Treasury on the Credit Committee of Kredi Garanti Fonu A.Ş. between May 2015 and December 2016. Since December 2016, Mr. Erdoğan has been a Member of the Board of Directors at Halk Yatırım Menkul Değerler A.Ş.

Remzi Günhan
Board Member

Remzi Günhan was born in Diyarbakır-Çüngüş in 1971. He graduated from Anadolu University, Department of Public Administration. Mr. Günhan began his professional career in 1997 as a Civil Servant at the Kozluk Batman branch of Türkiye Halk Bankası A.Ş. He went on to work as Head of the Budget and Reporting Department; Head of the Project Evaluation, Financial Analysis and Intelligence Department; and Silopi Branch Manager at Halkbank. In 2017, Mr. Günhan was appointed Muş Branch Manager at Türkiye Halk Bankası A.Ş. He also continues to serve as a Member of Board of Directors at Halk Yatırım Menkul Değerler A.Ş.

Kamil Enis Tuna
Board Member

Kamil Enis Tuna was born in Beyoğlu-Istanbul in 1966. He completed his primary and middle school education in Istanbul and graduated from Kabataş Erkek Lisesi. Mr. Tuna obtained his BA degree from Anadolu University, Department of Economics and his MBA from Newport University. He began his professional career as Expert at Türkiye Turizm ve Yatırım Bankası in 1991. Subsequently, Mr. Tuna took on senior management positions within the Private Banking Departments at Esbank, Demirbank, Alternatifbank and DenizBank. In his last position before joining Halk Bankası, he worked as Deputy General Manager in charge of Private Banking at Aktifbank; he also served as Member of the Board of Directors at the same institution.

In December 2015, Mr. Tuna was appointed as Head of the Card Payment Systems Department at Türkiye Halk Bankası A.Ş. While continuing to work as Head of the Card Payment Systems Department at Halkbank, he also serves as Market Development Member at Interbank Card Center. Mr. Tuna is a Member of the Board of Directors at Halk Yatırım Menkul Değerler A.Ş.

Enes Çelebi
Board Member

Enes Çelebi was born in Ankara in 1983. He obtained his BA degree from Gazi University, Faculty of Economics and Administrative Sciences, Department of Public Administration. Mr. Çelebi received his MBA degree from Türk Hava Kurumu University, Department of Business Administration. He began his professional career as Revenue Assistant Specialist at Turkey's Revenue Administration in 2009. After working at the Istanbul and Bursa Tax Office Directorates, he took on the position of Head of the Human Resources Department at Turkey's Revenue Administration. Subsequently, Mr. Çelebi worked as Specialist for the Ministry of Finance's Press and Public Relations Office. Since November 2015, he has served as Press Officer for the Deputy Prime Ministry. Mr. Çelebi is also a Member of the Board of Directors at Halk Yatırım Menkul Değerler A.Ş.

Ömer Aykut Ünlü
Board Member

Ömer Aykut Ünlü was born in Istanbul in 1972. He completed his primary, middle and high school education in Istanbul. Mr. Ünlü obtained his BA degree from Istanbul Technical University, Department of Electronics and Communications Engineering and his MBA degree from Koç University. Between 1997 and 2017, Mr. Ünlü worked for Alternatifbank, Oyakbank, Bank Millennium and JP Morgan Chase Bank Istanbul. In September 2017, he joined Halkbank. Mr. Ünlü has served as Head of the Treasury Management Department since November 2017. He has been a Member of the Board of Directors at Halk Yatırım Menkul Değerler A.Ş. since February 2018. Mr. Ünlü is married and has two children. He is fluent in English.

MESSAGE FROM THE CEO

As the industry's leading and innovative institution, Halk Invest is proud to have completed another year full of successes.

In 2017, Halk Invest outperformed the sector average, increasing net profit to TRY 32.6 million and boosting return on equity from 15% to 27%.

We recorded a significant volume increase in capital and share markets and doubled our brokerage issue transactions compared to a year earlier. Halk Invest ranks among the top companies in corporate financing in Turkey. Thanks to its expert team and strong infrastructure, our Company continued to offer the best solutions that respond to our clients' needs. Successes in this area enabled us to achieve a significant revenue increase.

We continue to break new ground

A seasoned industry pioneer in innovation, Halk Invest has introduced many firsts in Turkey. We continued to contribute to the Turkish capital markets in 2017.

One of Halk Invest's firsts was executing Turkey's first agricultural commodities sukuk issue. This issue was realized in cooperation with the Turkish Grain Products Board (TMO). The transaction had to undergo a much more rigorous preparation process compared to conventional debt instruments due to the numerous product innovations it comprised. During the completion of the process, an amendment to tax regulations – a first of its kind – that would pave the way for the sector to grow further was enacted. At the same time, this transaction was recognized with the "Turkey's Best Islamic Finance Transaction in 2017" award by REDmoney Group's monthly Islamic Finance News (IFN) publication. IFN is widely known as one of the most prestigious news portals in Islamic finance circles.

One of the other pioneering steps we took was executing Turkey's first real estate investment trust sukuk issuance. The Halk REIT sukuk issue was the first such transaction in Turkey's real estate investment trust industry. The issuance was undertaken based on a transaction processing agreement. Halk Invest has continually broken new ground in sukuk issue brokerage activities since it began operating in this area in 2014. With Turkey's first REIT sukuk issue, Halk Invest took a major step forward in further developing sukuk issues while continuing to generate value for its business partners with real economy-based products.

In addition to these firsts, Halk Invest served as restructuring and sales advisor in the Halkbank Secondary Capital Bond Issue transaction. This landmark transaction garnered first prize in "The Year's Local Bond Transaction" category at the Bonds & Loans 2018 awards. This awards competition is one of the most prestigious in Turkey in the banking, finance and capital markets sectors.

We remain committed to regularly introducing innovative and high-quality products to the capital markets. Halk Invest will continue undertaking efforts to realize our pioneering mission in the coming period.

We aim to rank among the top five

Halk Invest aims to rank among the top five players not only in terms of profitability, but in all areas. We do not aspire to take away from the existing pie, but rather to enlarge it with our innovative products and services. With this approach, we aim to generate significant value for Turkey.

We have the strength to succeed in this. We love our job and take it seriously. We aim at always producing higher quality services for our investors. With this approach, we take necessary initiatives and continue to make uninterrupted investments at full pace.

We continue our investments

Our primary capital investment area is technology systems and infrastructure, a strategic priority for Halk Invest. In today's world, electronic platforms have become indispensable tools. Halk Invest has further expanded its high-quality service provision to a broad customer range. Thanks to its robust technological infrastructure, our customers across Turkey can perform transactions round the clock. The use of Halk Invest's electronic platforms has reached 85% – indisputable proof of the success we have achieved in this key area.

After changing its organizational structure around a customer-based approach, Halk Invest also restructured its Research Unit in 2017. We are proud that our high-quality and targeted sector and company-specific reports are closely followed by many investors.

Halk Invest's investments, initiatives and innovations will continue apace in 2018. We plan to swiftly move forward on our digital transformation journey. We aim to introduce new products to the market in the coming year. We remain committed to doing our part with our international investments to open up the Turkish economy to the global arena.

Our assurance on this road to sustainable success is our well-qualified human resources. Taking this opportunity, I would like to extend my gratitude to all our employees and shareholders.

Sincerely yours,

Serdar Sürer
Board Member and CEO



We do not aspire to take away from the existing pie, but rather to enlarge it with our innovative products and services. With this approach, we aim to generate significant value for Turkey.

TOP MANAGEMENT

Serdar Sürer
Board Member and CEO

Serdar Sürer was born in Istanbul in 1972. He completed his primary, middle and high school education in Istanbul. Mr. Sürer graduated from Anadolu University, Faculty of Economics and Administrative Sciences, Department of Economics. Until 2002, he served as Member Representative, Stocks and Shares Manager for different intermediary institutions. In 2002, during its restructuring, Mr. Sürer began working within Halkbank's Treasury Management Department. Until 2017, he held various positions at Halkbank, ranging from Bonds and Bills Manager to Head of the Treasury Management Department. Mr. Sürer has served as a Member of the Board of Directors at Halk Yatırım Menkul Değerler A.Ş. since 2012. In November 2017, he was appointed CEO at Halk Invest. Mr. Sürer is married and has two children. He is fluent in English.

Ali Ömürbek
Deputy General Manager

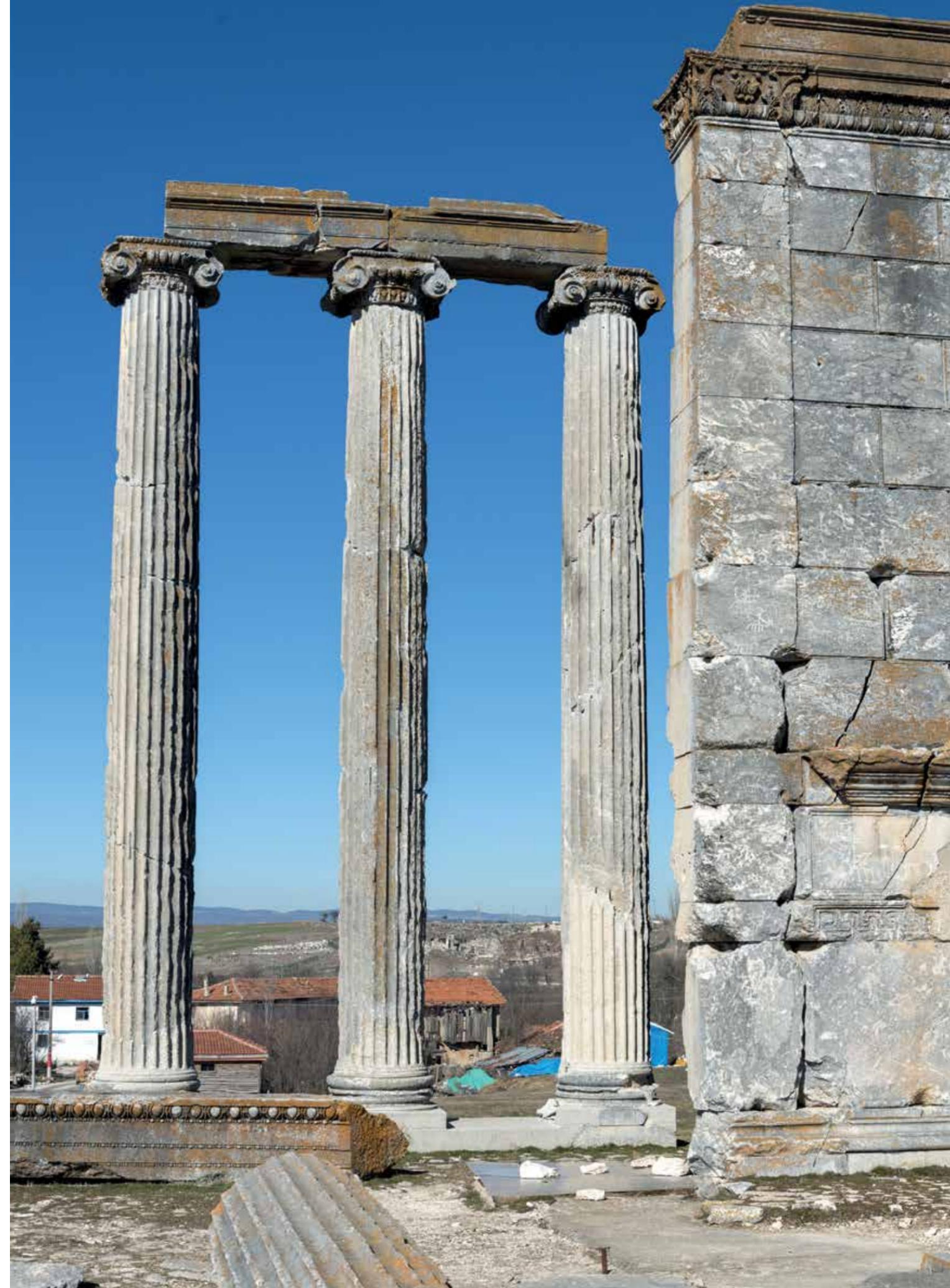
Ali Ömürbek graduated from Istanbul Technical University, Department of Mathematics Engineering in 1991. Subsequently, he worked in various positions in the software and capital markets sectors. In 2002, Mr. Ömürbek started work as Information Technologies Manager at Halk Yatırım Menkul Değerler A.Ş. Since 2008, he has served as Deputy General Manager in charge of Information Technologies, Human Resources, Administrative Affairs, Legal Affairs, Financial Affairs, and Operations.

Bülent Sezgin
Deputy General Manager

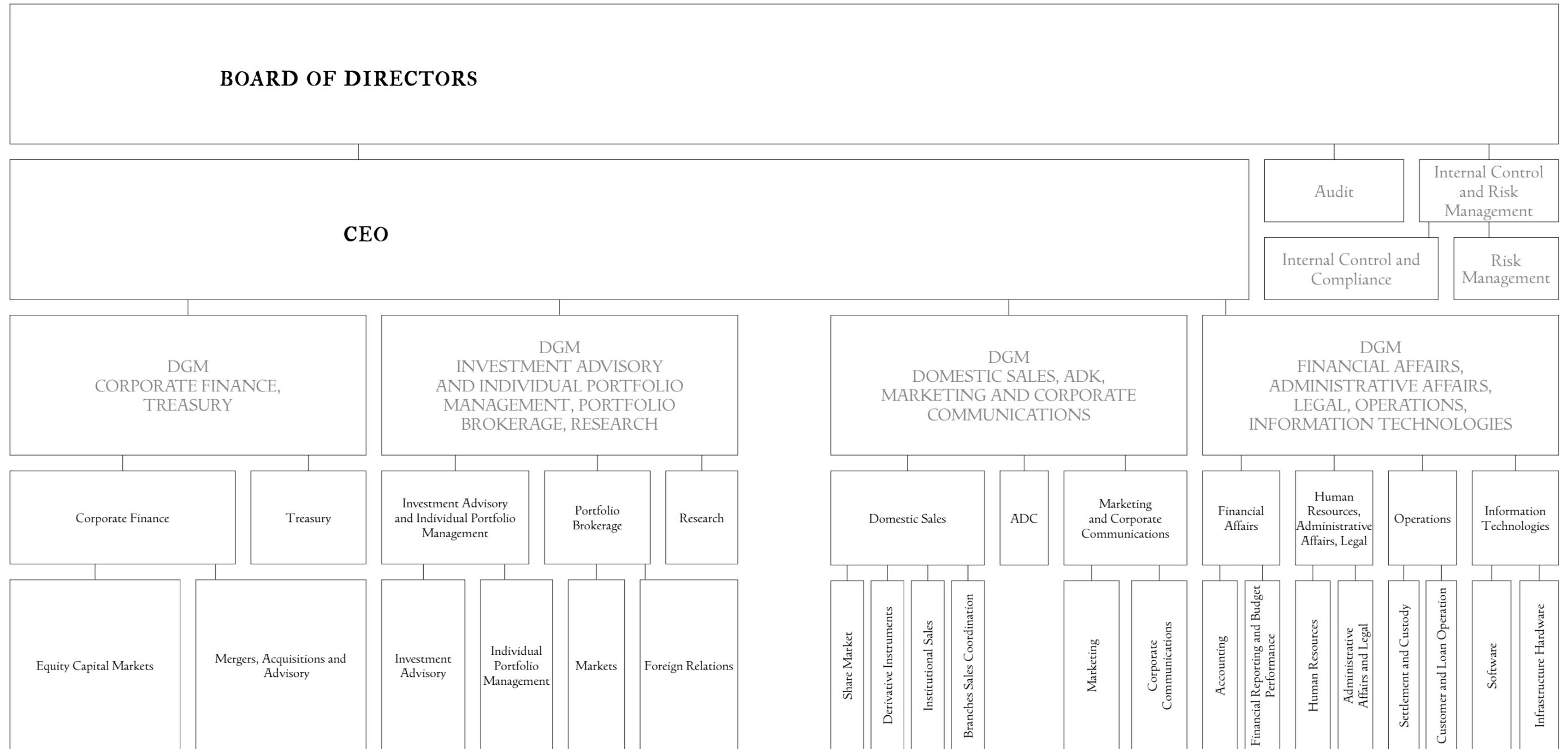
Bülent Sezgin was born in Bandırma in 1975. He graduated from Middle Eastern Technical University, Department of Political Science and Public Administration in 1997. Mr. Sezgin started his professional career at Esbank T.A.Ş. as Assistant Specialist in 1997. He went on to work in various positions at İktisat Portföy Yönetimi A.Ş., Pozitif, and M&A International GmbH, respectively. In 2011, Mr. Sezgin was appointed Manager of the Corporate Finance Department at Halk Yatırım Menkul Değerler A.Ş. He has served as Deputy General Manager Responsible for Corporate Finance and Treasury since 2012.

Evren Karabulut
Deputy General Manager

Evren Karabulut graduated from Middle East Technical University, Department of Statistics Department in 1995. Subsequently, he started working in the capital markets, taking on various positions within the sector until 2018. In January 2018, Mr. Karabulut joined Halk Yatırım Menkul Değerler A.Ş. where he has served as Deputy General Manager in charge of Domestic Sales, Alternative Distribution Channels, Marketing and Corporate Communications.



ORGANIZATIONAL CHART





MACROECONOMIC OUTLOOK

Given current inflation levels, the Fed is expected to continue its policy normalization process at a “moderate” pace.

2017 was a year that generally saw a significant supporting influence of global and domestic dynamics on domestic markets. During this period, the rebound in the worldwide growth outlook became clearer. Despite improved economic activity indicators and rising oil prices, the inflation outlook remained weak. Ongoing weak wage and price increases in developed economies led to a supportive policy position of central banks. This in turn had a positive influence on the risk perception of emerging markets. Although a normalization process in Fed policy was set in motion, it was executed at a moderate pace. Despite the Fed’s indication that it will hike interest rates three times in 2018, general market expectations and financial asset pricing were not pointing in this direction in 2017. Against the backdrop of recovered economic activity, rising wages, a concurrent

rise in spending and the uptick in inflation, three interest rate increases by the Fed now appear to be certain in 2018, while four rate hikes also began to be discussed. Given current inflation levels, the Fed is expected to continue its policy normalization process at a moderate pace. After continuing to pursue an expansionary monetary policy last year, the European Central Bank agreed to change the wording of its related text at the ECB 8 March 2018 policy meeting. In particular, the statement “If the outlook deteriorates, it stands ready to increase the asset purchase program” was removed. An early or quick exit scenario from the supportive policy of the ECB does not seem likely before 2019.

Following 2017, when the recovery trend in global markets boosted the risk perception of financial markets, 2018 is expected to see more volatility for emerging economies due to a focus on the monetary policy normalization process.

Thanks to the Turkish government’s incentive policies that supported domestic demand, encouraged investment spending and boosted domestic consumption, Turkey’s annual GDP growth rate was above expectations at 7.4% in 2017. With the positive risk perception toward emerging markets and a strong domestic growth outlook, the BIST (Istanbul Stock Exchange) 100 index performed strongly in 2017, jumping 47.6% year-on-year. The Turkish economy completed the year 2017 with a growth rate above 7%. Initiatives that support domestic demand and value-added investments, such as the Credit Guarantee Fund and Project-based Support System, are expected to contribute to this positive growth outlook in the coming year.

The consumer price index (CPI) demonstrated a negative trend, rising to 12.98% in November due to food price increases and foreign exchange rate pressure. However, the worst seems to have been overcome, as a downtrend in the CPI inflation rate began in December with a decrease to 11.92%. Inflation figures for March 2018 show that the downward trend, albeit limited, has continued. Compared to the peak in November 2017, CPI inflation declined 2.75 points by March 2018. Owing to high food price increases, overall inflation is expected to fluctuate at around 10% throughout the year, with year-end inflation forecast at 9.3% in 2018. The Central Bank of the Republic of Turkey (CBRT) increased the Late Liquidity Window Lending Rate by 275 basis points and continued its tight policy position in 2017. In 2018, the CBRT is expected to continue to adopt a tight monetary policy until a significant improvement in the inflation rate is attained.

7.4%

Turkey’s GDP Growth Rate

DOMESTIC SALES

The area comprised of market buildings – known as the Macellum – was an organized marketplace open every day of the week where prices of different products could be found.

Halk Invest's Domestic Sales Unit is structured around the Shares Market and the Derivatives Market, both part of the BIST (Istanbul Stock Exchange).

Traditional brokerage services are offered to private, corporate and/or collective investment institutions willing to transfer purchase and sales transactions to stock exchanges.

The Domestic Sales Unit ensures that all its customer's purchase and sales transactions are swiftly and securely transferred to the stock exchanges. It also offers customer-tailored order transmission solutions through alternative distribution channels, thereby ensuring high quality standards.

The Corporate Sales Team is committed to meeting the needs of qualified private and institutional domestic investors. The Team conducts brokerage activities in the area of debt instruments, including corporate financing products, and sales of sukuk issues. This approach ensures product diversity in its customer portfolio.

The Domestic Sales Unit strives to deliver a high-quality, user-friendly investment transaction experience to its clients while effectively using Halkbank's broad distribution network. Aiming to boost its domestic market shares and increase sales, Domestic Sales plans to introduce new products in 2018.

REVENUES FROM BROKERAGE ACTIVITIES (LEVERAGED SALE AND PURCHASE, SHARE, VIOP TRANSACTIONS)

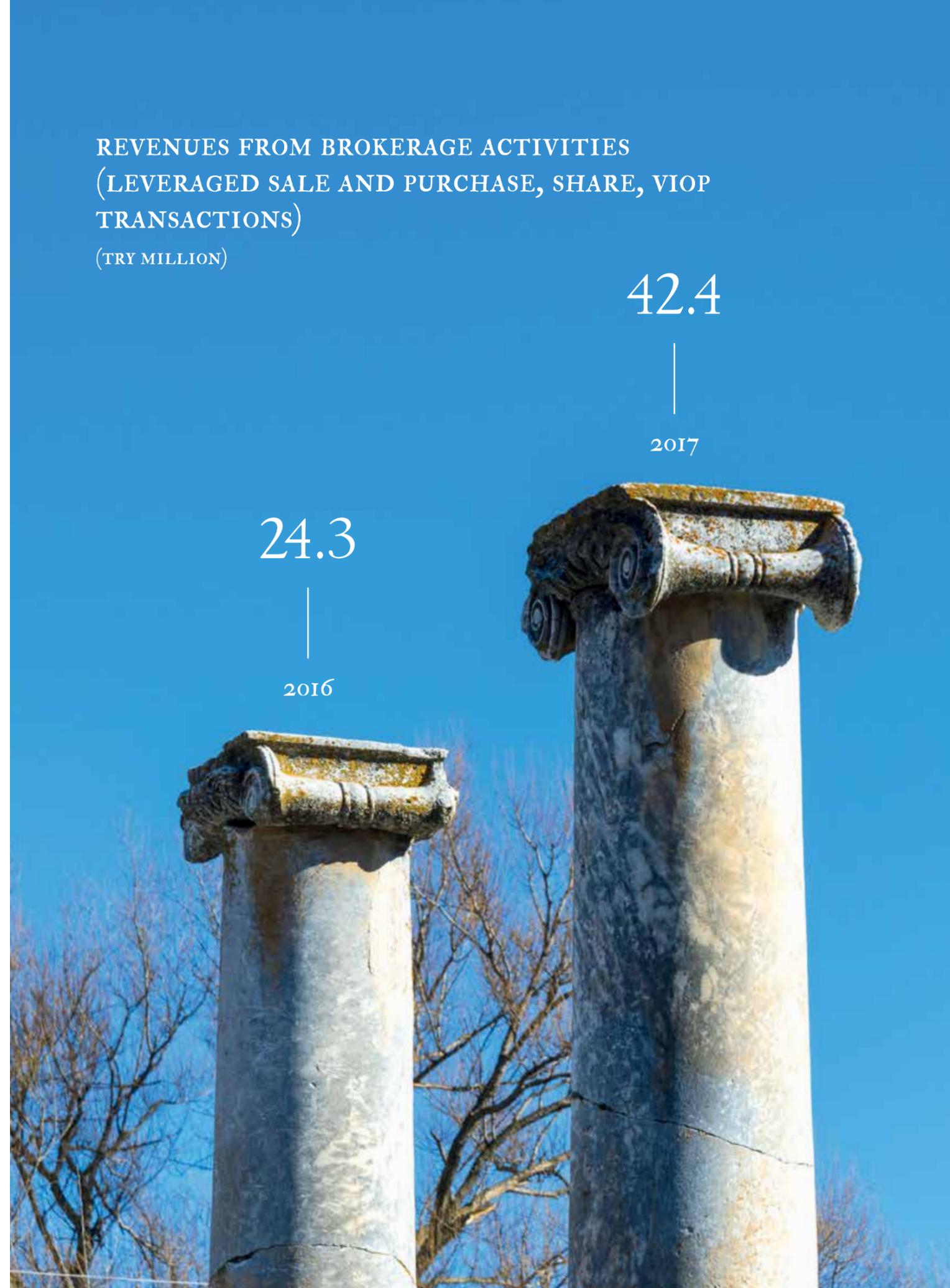
(TRY MILLION)

42.4

2017

24.3

2016



INVESTMENT ADVISORY AND INDIVIDUAL PORTFOLIO MANAGEMENT

One of the rare temple structures still standing today, the Temple of Zeus was once home to religious leaders who guided people in the right direction.

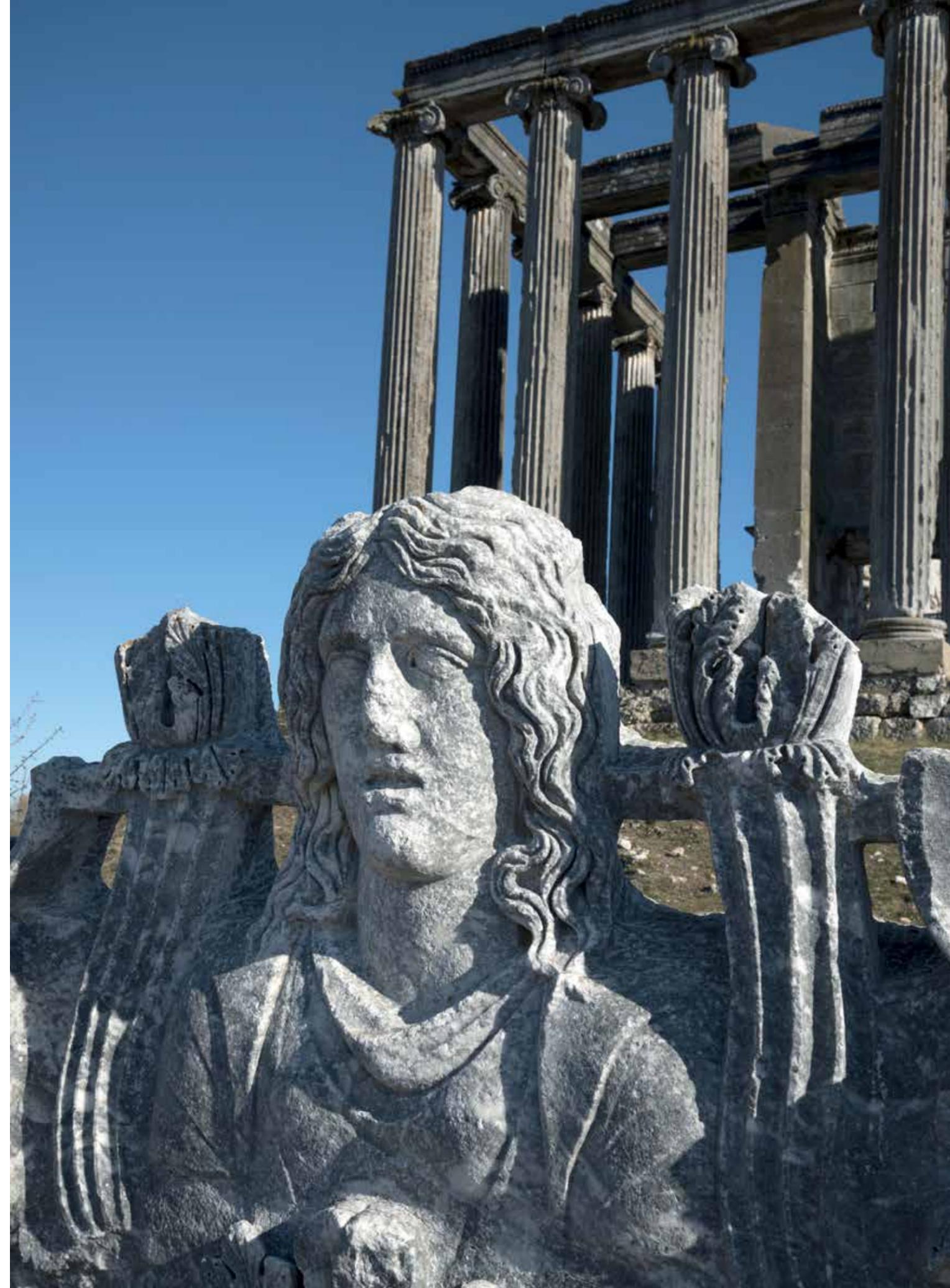
The Investment Advisory Department provides services related to all capital market instruments. Besides brokerage for buying and selling capital market products, Investment Advisory delivers recommendations and guidance that help investors make final investment decisions. The Department offers financial solutions and proposals that meet clients' expectations.

This service is provided to customers under an investment advisory agreement and in accordance with the results of a conformability test. Investment Advisory aims to increase investor's knowledge and financial literacy. Every investor has different needs. Services must be provided swiftly and comprehensively. To be able to offer the right product at the right time, a targeted risk/return analysis should be prepared and investors must be furnished with diversified

product alternatives. Investment consultancy ideally should target increasing client satisfaction by providing up-to-date information under a market-based approach.

The reports and opinions on domestic and foreign markets prepared by the Research Department include analyst expectations, objective assessments of basic and technical analyses and special investment recommendations. These are regularly presented to sales teams and investors.

Halk Invest is committed to building long-term relationships with its customers. To this end, the Company's broad product and service line accommodates different risk preferences to meet a diverse range of investment needs.



RESEARCH

During the age of Emperor Diocletianus, ancient Aizanoi was home to the Emperor's "Edict on Maximum Prices," one of the Roman Empire's first policy adjustments aimed at fighting inflation.

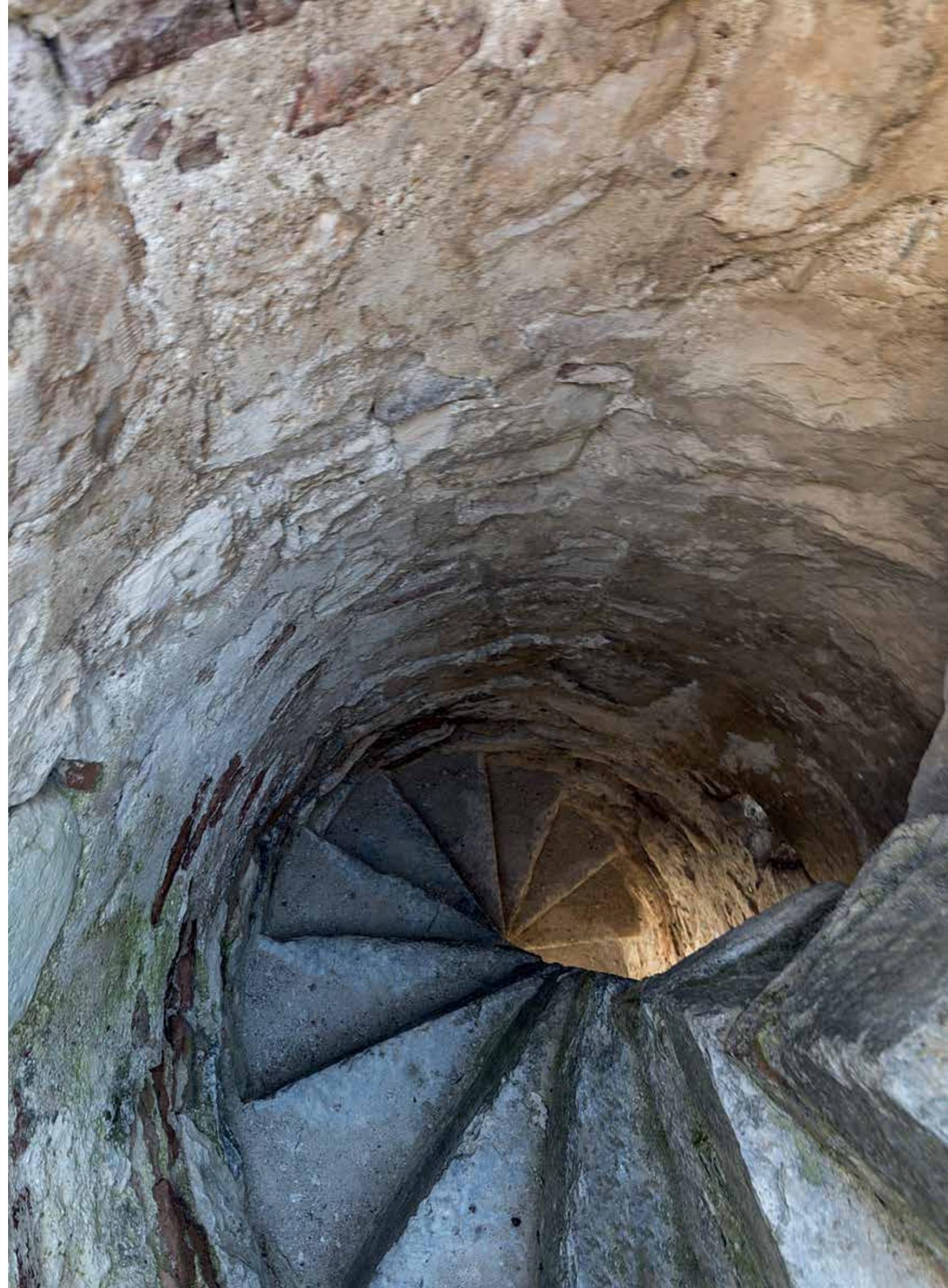
Halk Invest Research Department develops market-oriented products, formulates strategies that meet the needs of the sales channel and generates macroeconomic reports.

The Research Department prepares the following outputs: the Daily Bulletin, which summarizes a vast amount of information, ranging from economic and financial market outlooks and expectations to short/medium-term changes in key financial indicators presented in comparison with other countries; the Macroeconomic Strategy Note, which provides medium-term economic analyses; the Outlook Report, which is published once per year with content that includes the main themes of the coming year's global and domestic economic environment as well as information on the Turkish economy and expectations; and Economic Assessment Reports, which evaluate the general economic situation right after the announcement of key macroeconomic indicators. The Department also produces Company Reports, which assess the current situation and sector position of select companies in line with the financial results they report; evaluate future cash flows

using sophisticated financial models and thereby determine target stock prices; and indicate investment recommendations (e.g. buy-sell-hold) for these companies.

In 2017, Halk Invest published the Outlook Report on the Turkish economy, which included expectations for the coming year, and held the Outlook Conference. The Research Department engaged in reporting activities to support the Investment Advisory Department with regard to global and domestic economic dynamics. The Research Department prepared macroeconomic analyses for companies traded on the Borsa Istanbul Stock Exchange (BIST) within the framework of the International Capital Markets (ICM) business model. The Department also actively completed model portfolio updates.

In 2016, Halk Invest started to target foreign institutional clients. The Research Department now aims to present research services and products during roadshows organized abroad and/or at conferences or similar events bringing together public authorities with the private sector and foreign investors.



TREASURY

Aizanoi began producing its own coins after 133 B.C.E. The city became a polis in the 1st century A.D. and continued to grow.

The Treasury Department's activities can be divided into three main categories:

- * Preparing and managing the Company portfolio
- * Managing Company and client cash flows
- * Engaging in brokerage activities

Managing the Company Portfolio

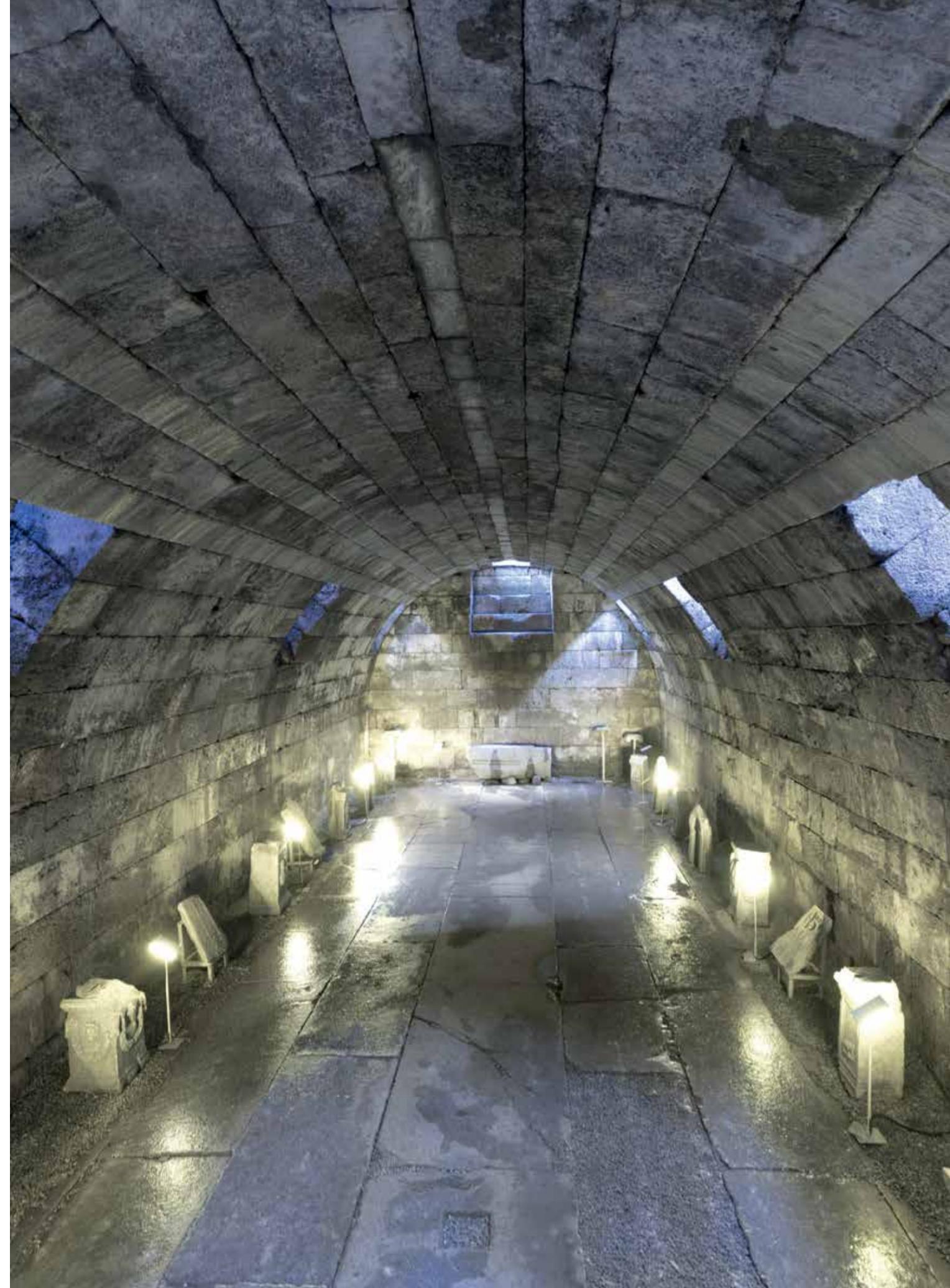
Management of Halk Invest's portfolio relates to managing the Company's equity capital. This includes buying and selling debt instruments issued by the public and private sectors as part of short and long-term expectations and realizations in domestic and foreign markets as well as preparing and managing the Company portfolio. Transactions are generally performed in the Borrowing Instruments Market that operates under the Borsa Istanbul Stock Exchange.

Managing Company and Customer Cash Flows

Management of Halk Invest's cash flow relates to using cash surplus resulting from Company activities or meeting the Company's cash needs. In addition to being responsible for regulating Halk Invest's cash flows, the Treasury Department takes the necessary steps to ensure the healthy flow of monetary resources through the Company. Furthermore, the Department makes sure that customers' daily money movements are unimpeded and timely.

Engaging in Brokerage Activities

Engagement in brokerage activities relates to brokerage services for customers' Borsa Istanbul Stock Exchange, Debt Instruments Market and Takasbank Money Market transactions. Transactions are usually undertaken for corporate customers, most of whom are investment and retirement funds or portfolio management companies managing these funds.



PORTFOLIO BROKERAGE

At the Macellum, where marketing practices took shape, salesman developed new sales techniques and took steps to improve supplies.

Portfolio Brokerage relates to the activity in which investment institutions undertake their customer's capital market buy and sell orders as the counterparty.

All customer orders to be undertaken as the counterparty and all transactions performed in organized and over-the-counter markets fall within the authority and responsibility of the Portfolio Brokerage Department.

Portfolio Brokerage also offers by-products, known as restructured financial instruments, in addition to the major traditional products in the industry. The Department adds these instruments to traditional investment portfolios.

Restructured financial products are financial assets that are composed of various basic investment components. These are designed to meet the needs of certain investors and generate specific risk-revenue profiles. Therefore, risk is a concept of paramount significance for the Department. The risks that Portfolio Brokerage assumes as part of its operations are covered by Halk Invest's risk management policies. The Department has contributed to the Company's risk management program and thereby has generated added-value for the industry.

Additionally, Portfolio Brokerage manages relations with foreign financial institutions, supports business development efforts, and is responsible for product restructuring and algorithmic transactions.



CORPORATE FINANCE AND ADVISORY

As one of the central trading cities, Aizanoi formerly hosted the drawing up of new business contracts, thereby constantly boosting the trade volume.

Halk Invest's Corporate Finance and Advisory Department engages in public offerings, debt instrument issues, sukuk issues, as well as merger and acquisition brokerage and consultancy activities.

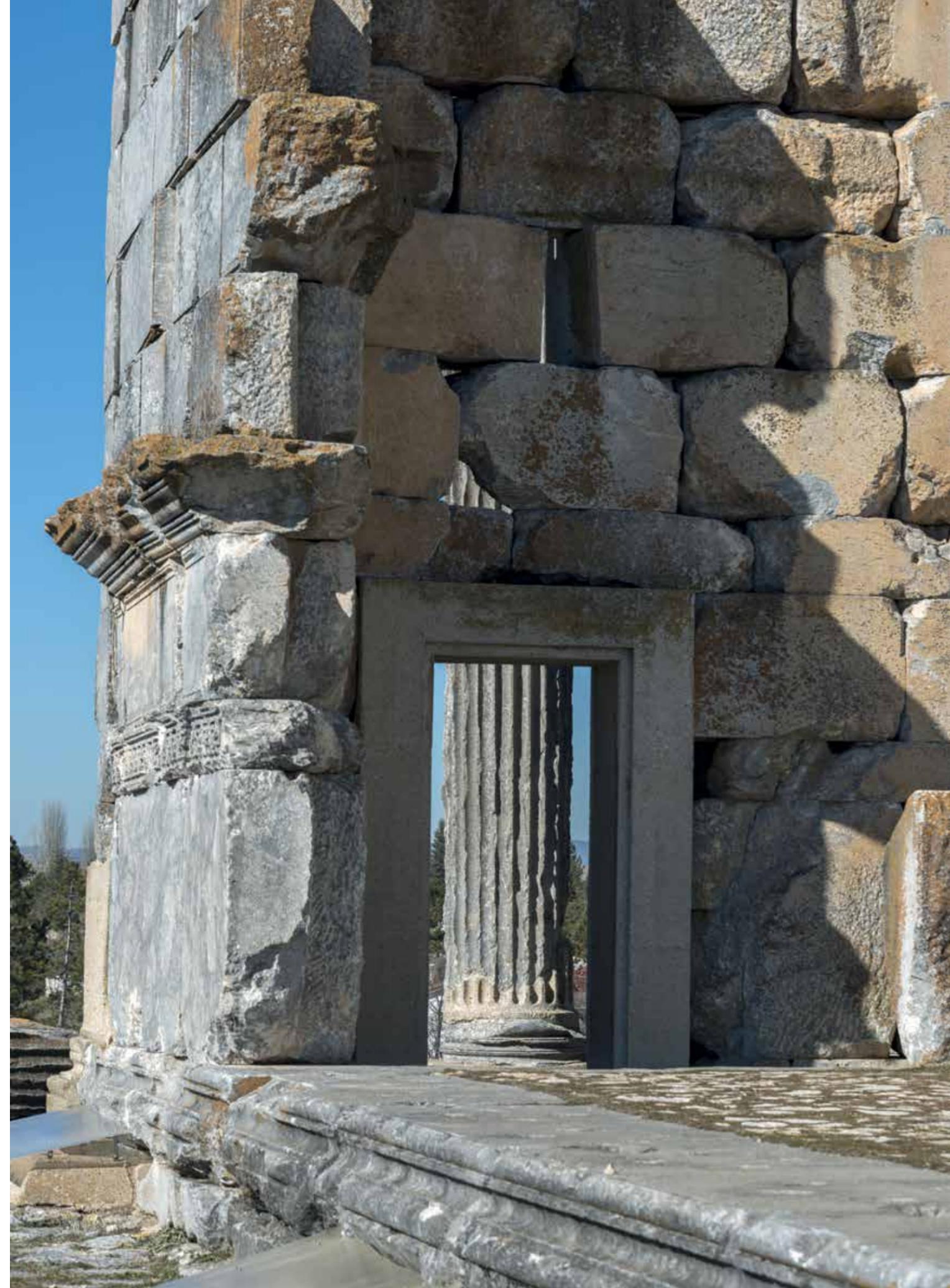
The Department provides brokerage and advisory services to companies seeking to expand their range of operations; enter new markets; increase their competitive edge; meet capitalization needs or go public in capital markets in order to bolster their corporate reputation; issue debt instruments or sukuk; and conduct domestic/foreign partnership or share sales transactions.

As part of Halk Invest's corporate finance activities in 2017, the Department mainly performed debt instrument issues in line with developments in the financial markets.

The 62 transactions performed by Halk Invest in 2017 totaled TRY 11,586 million. These capital market transactions included: two sukuk issues; one debt instrument issue that will be included in secondary capital; and 59 conventional debt instrument issues.

10-Year Term Bond Issue to be Included in Secondary Capital

As part of the debt instrument issues to be included in secondary capital, Halk Invest completed Halkbank's first 10-year term bond issue in October 2017. The total issue size amounted to TRY 1 billion.



CORPORATE FINANCE AND ADVISORY

Turkey's First Sukuk Issue Where Agricultural Commodities were Used as an Underlying Asset

Halk Invest completed the first TRY 100 million nominal value, 88-day term sukuk issue of the Turkish Republic Grain Board (TMO)'s Lease Certificate First Issue Program in November 2017. This was a sales transaction to qualified private and institutional investors.

The transaction is Turkey's first sukuk issue that uses agricultural commodities as an underlying asset. TMO is designated as the fund user. The transaction is based on a management contract and sale/purchase agreement. It will set an important example for upcoming issues on the market. This was also Turkey's first sukuk issue transaction that was performed by a public institution other than the Turkish Republic Undersecretariat for the Treasury.

The groundbreaking transaction was recognized with the "Turkey's Best Islamic Finance Transaction in 2017" award by REDmoney Group's monthly Islamic Finance News (IFN) publication. IFN is widely known as one of the most prestigious news portals in Islamic finance circles. The transaction was seen as a boost to agricultural activities supported by Islamic financing. The deal also received "The Year's Best Sukuk Transaction in Turkey" award in 2017.

Turkey's First Real Estate Investment Trust (REIT) Sukuk Issue

Halk Invest completed Turkey's first real estate investment trust sukuk issue in December 2017 with Halk GYO's 87-day term sukuk issue worth TRY 100 million. The issue was based on a management contract (investment proxy) in which Halk GYO participated as fund user, and Halk Varlık Kiralama A.Ş. (Halk VKŞ) as issuer asset leasing company. This was the first sukuk issue transaction in which the sukuk market's newest player, Halk VKŞ, participated as issuer asset leasing company.

After starting up in the sukuk area by brokering Kuveyt Türk Katılım Bankası A.Ş.'s sukuk issue program in 2014, Halk Invest recorded a total sukuk transaction volume of TRY 2.1 billion by end-2017. In 2018, Corporate Financing and Advisory aims to contribute to the growth of the market by developing debt instruments and structuring new products in the sukuk market; sustainably capturing more market share; and bolstering its market position through qualified transactions in the areas of merger and acquisition advisory.

PRIVATE SECTOR DEBT INSTRUMENT AND SUKUK ISSUE VALUE

(TRY BILLION)

11.6

2017

5.6

2016

INFORMATION TECHNOLOGIES

At the Macellum, prices were fixed and put down in writing. Inscriptions on the walls ensured permanence of the information.

The Information Technologies Department is responsible for planning, setting up and ensuring security of the technological architecture of in-house processes related to developing markets and products.

The Department develops infrastructure systems platforms and closely monitors the latest technological developments with the aim of offering safe, fast and uninterrupted services to a wide range of Halk Invest clients.

In 2018, Information Technologies plans to further improve its information security, business continuity and automation architecture tools, while making new capital investments in its transaction platforms.



MARKETING AND CORPORATE COMMUNICATION

The Macellum, which today is referred to as the stock exchange by local residents, was formerly the city's market place. The market complex was surrounded by shops and is one of the places where today's marketing practices first took shape.

Marketing

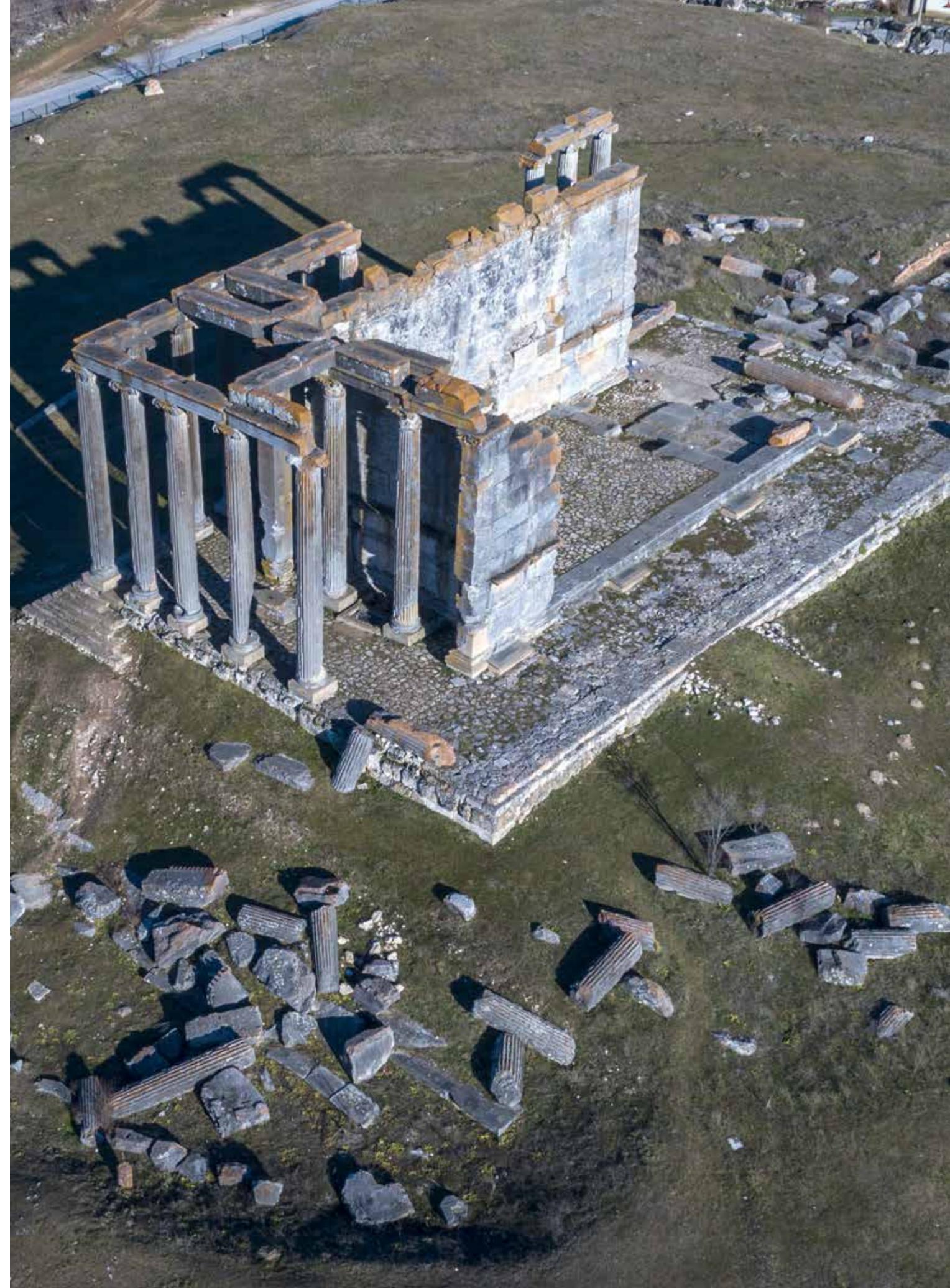
By conducting target audience and segmentation analyses, the Marketing Department identifies products that correspond to specific customer profiles. It also prepares roadmaps for the Sales Department on how best to achieve customer loyalty and deliver the highest satisfaction.

Halk Invest closely monitors the technology-related developments taking place during the digital age. The Company applies new-generation marketing techniques by integrating products and services across all digital channels while continuing to deliver information to its clients in the quickest way possible.

Corporate Communications

Corporate Communications works to ensure coordination in Halk Invest's internal communication, flow of information, motivation and integration. At the same time in its external communications, the Department manages communication processes under specified rules and guidelines to foster interaction with the Company's target audience.

Corporate Communications also ensures that all the Company's communications channels are open and accessible to shareholders and customers alike. The Department oversees that all services and corporate representation efforts are conducted in line with the adopted rules and standards. In addition, Corporate Communications makes sure that Halk Invest's corporate social responsibility projects are in line with the Company's areas of business activity and its vision.



INTERNAL AUDIT

The area surrounding the Zeus Temple was fortified with a defense wall in the 12th and 13th centuries, turning the site into a castle complex where Çavdarlar residents lived.

Audits are conducted regularly to ensure that all Halk Invest business units, including the headquarters and external affiliates, operate in line with the management strategy, efficiently, orderly, and in accordance with applicable laws, rules, regulations, and institutional policies. The Company's internal audit system consists of the Audit Department and the Internal Control and Risk Management Department.

Internal control activities undertaken within the framework of Capital Markets Board regulations are managed by the Internal Control and Risk Management Department's Internal Control and Harmonization, and Risk Management sections. To further strengthen and improve the Company's organizational structure, Internal Control and Risk Management serves the functions of improving business processes in all Halk Invest's units and ensuring that the Company's operations are executed in full compliance with Capital Markets Board regulations and other relevant regulatory

requirements. These functions are undertaken in adherence to Capital Markets Board Legislation Serial V No: 68 titled "Notification on Rules to Apply to Internal Audit Systems of Intermediary Institutions" under the implementation of risk-based audit plans. Capital Markets Board regulations and other relevant regulatory requirements, Company procedures and decisions of the Board of Directors form the basis of the audit process.

The Risk Management Department is structured to focus on its intended functions. These include: following-up on whether transactions conducted under portfolio brokerage are in line with Halk Invest management strategies, risk preferences and portfolio limitations; regularly monitoring the risk exposure of risk limits approved by the management and of portfolios monitored; designing and implementing a risk management system to fulfill risk measurement and control functions; issuing warnings to avert risk-posing activities; and taking precautions as needed.

SUPPORT UNITS

At the Macellum, one could find the price inscriptions of all products sold. To fight against inflation at the time, these prices were meticulously and frequently checked by Roman Emperor Diocletianus' civil servants.

Financial Affairs

Financial Affairs undertakes financial reporting activities and prepares the balance sheet at Halk Invest. The Department systematically combines business activity results and figures obtained from different business lines. Financial Affairs also presents the relation of these figures to each other in projections published in accordance with financial reporting techniques.

In its accountancy and financial reporting efforts, Financial Affairs ensures coordination between both the Company's relevant business units and with external auditors. In addition to preparing and managing the balance sheet, the Department is also charged with preparing statutory reporting as prescribed by applicable regulations, as well as ensuring and managing communications in these processes with regulatory and supervisory authorities.

Operations

The Operations Department manages many different business processes at the Company. These include managing investor account openings at Halk Invest, transaction limits and guarantees, and master netting processes of financial brokerage transactions by depository institutions. The Department also ensures that the Company meets all market requirements.

Human Resources

Halk Invest Human Resources efficiently engages in recruitment, career planning, and performance management processes. The Department also organizes training programs to support employees' personal and professional development. Qualified individuals are recruited in-house or externally for open positions to be filled in line with the Company's vision and targets.



CORPORATE SOCIAL RESPONSIBILITY PROJECTS

In line with its responsible business approach, Halk Invest expands its corporate social responsibilities into areas that overlap with its business activities and at the same time contribute to environmental sustainability.

Aizanoi Ancient City

Halk Invest is committed to fulfilling its social responsibility to the public by implementing projects that overlap with its areas of business activity and that are well-planned around targeted strategies. Since 2013, Halk Invest has supported excavation efforts at the 1,700-year-old Aizanoi city located in the Çavdarhisar district of Kütahya province. The ancient site is home to the world's first known stock market. The Company continues its support as "Main Sponsor" for the 2017-2019 period.

Protecting our country's invaluable cultural heritage is one of the most important responsibilities we will hand down to the next generations. This boundless land has hosted numerous civilizations throughout history, fostered their prosperity and served as a peaceful home. Our lands will continue to serve these functions and be home for many generations to come, if, with our efforts, we unearth and exhibit Turkey's unrivaled cultural assets.

Ancient Aizanoi is one of the most exceptional treasures of this rich cultural heritage. The birthplace of global traditions that have extended into today's modern era, this geography has served as home to well-rooted civilizations. The site also proudly hosted the Aizanoi Macellum; presumably the world's first known stock market. The site of Ancient Aizanoi, first discovered in 1824, spreads across a wide area that also encompasses the Macellum structure.

The ancient city is dated around 200 A.D. and in different layers reveals rural architectural samples of the Turkish-Islamic Period. Current Çavdarhisar residents of Aizanoi experience their history in sync with their present.

Aizanoi excavations began in 1926, some 100 years after its discovery. Since 2011, a team led by Prof. Dr. Elif Özer from Pamukkale University has worked to reveal the treasures that Aizanoi has hidden for centuries by applying local know-how. The ancient city is listed in the UNESCO World Heritage Candidate List with reference number 5724.

In ongoing excavations, ethnographic artifacts to be transferred to coming generations are unearthed, documented and registered. Some of these items are then exhibited, while others are safely stored for further study.

Halk Invest has sponsored Aizanoi Ancient City Excavations since 2013. This support included publication of the Aizanoi Introductory Booklet in English and Turkish in 2015 and the reference book titled "Aizanoi-2" edited by Site Director Prof. Dr. Elif Özer, published in 2016.

Halk Invest Memorial Forest

In line with its responsible business approach, Halk Invest expands its corporate social responsibilities into areas that overlap with its business activities and at the same time contribute to environmental sustainability. Through the cooperation with the Turkish Republic Ministry of Forestry and Water Affairs, General Directorate of Forestry, the Halk Invest Memorial Forest was set up with the planting of 2,000 saplings.

The forest, whose foundations were laid with 2,000 planted saplings, continues to sustainably grow. A new sapling is planted for and named after each Halk Invest employee's new-born baby. In addition, a sapling is planted for each electronic postcard sent to clients to celebrate national and religious holidays.

Diyarbakır Yıllarca Halkbank Şehit Haşım Türkoğlu Middle School

Halk Invest provides financial and in-kind support to the Yıllarca Şehit Haşım Türkoğlu Middle School located in the Yıllarca village in Diyarbakır's Çınar district within the Company's corporate social responsibility policy. This effort aims to ensure schoolchildren's access to better education, improve the attractiveness of education for youth and support the "Financial Literacy Action Plan" as part of the 25 Priority Transformation Program of the 10th Development Plan. The support provided to the Yıllarca Şehit Haşım Türkoğlu Middle School will continue in line Halk Invest's commitment to sustainable initiatives.

Academy/Sector Collaboration

Halk Invest is a corporate member of the Capital Markets Professionals Association (EFFAS Turkey). The Company also provides scientific publication support under the umbrella of Boğaziçi University's Center for Applied Research and Capital Markets Professionals Association (EFFAS Turkey). This effort aims to help formulate policy recommendations in scientific articles to solve our country's savings gap problem. To this end, Halk Invest sponsored the academic publication "How Local is the Local Risk" in 2014-2015. Through the Capital Markets Professionals Association, the Company also sends participants from among our employees to the annual Effas Summer School.

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

1. Corporate Governance Principles

The Company is not a publicly listed company. 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 3rd 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 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 3rd, 6th and 9th 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

2016 Annual General Meeting was held on 26th of July 2017, 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). In the meeting it was decided to pay shareholders the I. and II. dividend amount of TRY 12,163,453.69.

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.

After the Annual General Meeting held on 26th of July 2017, the total dividend amount of TRY 12,163,453.69 was allocated for shareholders on 28th of July 2017.

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 TSPB (Turkish Capital Markets Association) website through the Membership Management System and 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.

9. Disclosure of Material Events

None.

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

	halkyatirim. com.tr	yatirimdialog. com	halkbank. com.tr	Halk Trade/ Halk Trade Plus iOS-android	halkfx. com	FX Platform Meta Trader Mobile
Market Data	√	√	√	√	√	√
Research Reports	√	√	√		√	
Our Financial Tables	√				√	
About Us	√				√	
Emergency Plan	√	√			√	
Portfolio Status	√	√	√	√		√
Common Stock Trend	√	√	√	√		
VIOP Trade	√	√	√	√		
Investment Fund Trade	√	√	√			
FX Trade						√

10. Company Website and Electronic Platforms

The Company's website and electronic platforms provide investors with market data and commercial services.

In parallel with market conditions and technological advances, the Company made investments in technological infrastructure to enable the security, sustainability and performance of services offered.

On the other hand, investors are able to monitor the developments in the market through the Company's Facebook and Twitter pages.

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 a publicly listed company.

SECTION III- STAKEHOLDERS

13. Informing the Stakeholders

Stakeholders may access information concerning the Company at any time by KAP, 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.

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 to be filled.

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Information about Relations with Customers and Suppliers

To ensure to meet customer demands in the best manner, the Company built an organizational structure setting out the positions of specialized personnel and employs electronic communication tools to deliver fast and accurate service for its customers. Within this framework, the Company continues to make new technological investments to increase customer satisfaction.

With the aim of promoting the Company's products and services and increasing the synergy between Halkbank and Halk Invest, training activities are offered to Halkbank employees. Alongside ongoing training programs, Private Customer Relations Managers and Private Assistant Customer Relations Managers selected by Halkbank were provided with product, sales and marketing training opportunities.

16. Social Responsibility

The Company develops and conducts social responsibility policies to contribute society while aiming to become a pioneer in all fields. A concrete example of this approach is the sponsorship for excavations of Aizanoi Ancient

City, which established 1,700 years ago within the today's boundary of Kütahya City's Çavdarhisar district and accepted as the world's first stock market. In 2017, our Company signed the main sponsorship agreement for the excavation site and will continue supporting this project for the next 3 years.

As we have committed to fulfill our corporate social responsibility parallel to our field of activity, within the framework of well-planned strategies, we started providing financial aid to the Antique Aizanoi City excavations, accepted to be the world's first stock market 1,700 years ago and which are located on the borders of Çavdarhisar district of Kütahya province today. With the permission of the Ministry of Culture and Tourism, General Directorate of Cultural Assets and Museums, cash support has been provided since 2013, and as of 2017, support as main sponsor continues.

As part of our corporate social responsibility, we established "Halk Invest Memorial Forest" in 2015 with the cooperation of the Turkish Ministry of Forestry and Water Affairs, General Directorate of Forestry with the aim of increasing awareness of environmental conscience. We still support the development of the forestry.

SECTION IV- BOARD OF DIRECTORS

17. Structure and Composition of Board of Directors and Independent Members

1- Yusuf Duran OCAK	Chairman
2- Dursun Ali ALEV	Vice Chairman
3- Serdar SÜRER	Board Member
4- Deniz YILDIRIM	Board Member
5- Ahmet ERDOĞAN	Board Member
6- Kamil Enis TUNA	Board Member
7- Remzi GÜNHAN	Board Member
8- Enes ÇEBELİ	Board Member

18. Qualifications of Board Members

Projects of strategic significance are managed in-house with the aim of becoming an intermediary institution that pioneers in the restructuring of new products on capital markets, efficiently and effectively utilizes our Bank's strong distribution channels, and swiftly adapts to the influence of developing technologies on financial markets.

19. Mission, Vision and Strategic Objectives of the Company

The Board of Directors meet 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.

Our Vision

Becoming a leading and reputable intermediary institution that fulfills all requirements of

financial markets, pays utmost respect to human values with strong infrastructure and a wide product range.

Our Mission

Becoming a reference point in capital markets and one of Turkey's leading intermediary institutions opening up to the world that – through an efficiency-based business model – establishes trustworthy and sustainable customer relations, adheres to ethical values, shares up-to-date and objective information with investors, pioneers in technological innovation, and effectively utilizes its distribution channels.

Our Corporate Values

- * Customer-oriented,
- * Generating added value,
- * Transparent,
- * Trustworthy,
- * Innovative,
- * Dynamic,
- * Market-oriented,
- * Aware of Social Responsibilities,
- * Protective of ethical values,
- * Valuing employees,
- * Believing in team work,
- * Adhering to corporate management principles.

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

20. 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 and Risk Management units.

21. 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."

22. 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 106 decisions in 01/01/2017 – 31/12/2017 activity period. None of these decisions received any dissenting views since Board Members were informed in advanced.

23. Prohibition of Making Transactions with the Company and Competitors

In the 2017 activity period, the prohibition of making transactions with the Company and competitors was applied to the board members.

24. Codes of Conduct

In accordance with our main shareholder Halkbank and Turkish Capital Markets Association's regulations, Codes of Conduct are established and presented to personnel in written form.

25. 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.

26. 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, insurances and similar warrants (salary, attendance fee, premiums, dividends, foreign language compensation, subsistence, private health insurance premium, private life insurance premium, individual annuity contribution, employer's share of social security, employer's share of unemployment insurance, representation hospitality, vehicle rent and fuel) are TRY 1,517.39.

**HALK YATIRIM MENKUL DEĞERLER
ANONİM ŞİRKETİ**

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

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

Deloitte.

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Maslak no1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer 34398
İstanbul, Türkiye

Tel : +90 (212) 366 6000
Fax : +90 (212) 366 6010
www.deloitte.com.tr

Mersis No: 02910010976000
Ticari Sicil No : 304099

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

INDEPENDENT AUDITOR'S REPORT

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

A) Independent Auditing of Financial Statements

1) Opinion

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

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

2) Basis for Opinion

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

3) Emphasis of Matter

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

Deloitte.

4) Key Audit Matters

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

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

5) Other Matters

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

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

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

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

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

Deloitte.

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

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

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

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

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

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

Deloitte.

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

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

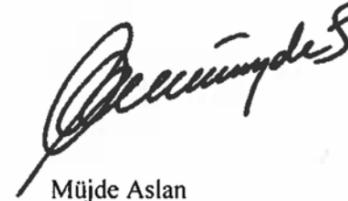
B) Report on Other Legal and Regulatory Requirements

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

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

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

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



Müjde Aslan
Partner

İstanbul, 14 February 2018

INDEX

	<u>Page</u>
STATEMENT OF FINANCIAL POSITION	87
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	88
STATEMENT OF CHANGES IN EQUITY	89
STATEMENT OF CASH FLOWS	90-91
Note 1 Organization and operations of the Company	92
Note 2 Basis of presentation of the financial statements	93-109
Note 3 Cash and cash equivalents	110
Note 4 Financial investments	111
Note 5 Trade receivables and payables	112
Note 6 Financial liabilities	113
Note 7 Other long-term assets	114
Note 8 Other receivables and payables	114
Note 9 Investments accounted by the equity method	115
Note 10 Prepaid expenses	116
Note 11 Tangible assets	116
Note 12 Intangible assets	117
Note 13 Provisions, contingent assets and liabilities	117-118
Note 14 Employee benefits	119-120
Note 15 Equity	120-121
Note 16 Sales revenue and cost of sales	122-123
Note 17 Marketing expenses and general administrative expenses	123-124
Note 18 Expenses by function	124
Note 19 Other operating income / expenses	124
Note 20 Finance income / expense	125
Note 21 Taxation	126-127
Note 22 Earnings per share	128
Note 23 Related party disclosures	128-130
Note 24 Nature and level of risks related to financial instruments	131-141
Note 25 Financials instruments	141-142
Note 26 Other matters	142-143
Note 27 Events after the reporting period	143

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Statement of Financial Position as at 31 December 2017

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

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

The accompanying notes are integral part of these financial statements.

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

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

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

The accompanying notes are integral part of these financial statements.

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

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

	Notes	Paid-in capital	Change in fair value of available for sale financial assets	Items that are or may be reclassified to profit or loss	Other gains/(losses)	Restricted reserves	Accumulated gains/(losses)	Profit/(expense) for the year	Equity
Balance at 1 January 2016	15	82.000.000	211.285	(589.042)	9.324.969	(1.691.360)	13.591.545	102.847.397	
Transfers		-	-	-	1.285.151	12.306.394	#####	-	
Profit for the year		-	-	-	-	-	16.476.308	16.476.308	
Other comprehensive income		-	1.340.128	(216.811)	-	-	-	1.123.317	
- Gains on remeasurements on defined benefit plans, (net), assets, (net)	15	-	1.340.128	(216.811)	-	-	-	(216.811)	
Total comprehensive income		-	1.340.128	(216.811)	-	-	16.476.308	17.599.625	
Dividend payment		-	-	-	-	(9.939.293)	-	(9.939.293)	
Balance at 31 December 2016		82.000.000	1.551.413	(805.853)	10.610.120	675.741	16.476.308	110.507.729	
Balance at 1 January 2017	15	82.000.000	1.551.413	(805.853)	10.610.120	675.741	16.476.308	110.507.729	
Transfers		-	-	-	1.525.809	14.950.499	(16.476.308)	-	
Profit for the year		-	-	-	-	-	32.564.001	32.564.001	
Other comprehensive income		-	372.605	-	-	-	-	372.605	
- Change in fair value of available for sale financial assets, (net)		-	372.605	-	-	-	-	372.605	
Total comprehensive income		-	372.605	-	-	-	32.564.001	32.936.606	
Dividend payment		-	-	-	-	(12.163.453)	-	#####	
Balance at 31 December 2017		82.000.000	1.924.018	(805.853)	12.135.929	3.462.787	32.564.001	131.280.882	

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Statement of Cash Flows For the Year Ended 31 December 2017
(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

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

The accompanying notes are integral part of these financial statements.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Statement of Cash Flows For the Year Ended 31 December 2017
(Currency: Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

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

The accompanying notes are integral part of these financial statements.

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

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

1 Organization and Operations of the Company

Halk Yatırım Menkul Değerler AŞ (the "Company") was established on 2 September 1997. The purpose of the Company is to engage in brokerage services on securities and legal instruments representing financial value other than securities or documents containing financial obligations of issuer in accordance with capital market activities with its Article of Association and Capital Markets Law number 6362 as amended by Law number 3794.

According to Capital Market Law's serial III-37.1 numbered "Disclosure of Investment Services and Operations with Ancillary Services Principles" that was published in official gazette on 11 July 2013 and come into force on 1 July 2014, company was classified as "Broad Authorized Intermediary Firm", published in Capital Market Law's 15 October 2015 dated 2015/27 numbered board release and accreditations was cancelled in Turkish Trade Registry Gazette and returned to board.

The Company operates with 9 branches (31 December 2016: 9). Each branches of T. Halk Bankası AŞ., act as an intermediary for the transmission of orders on behalf of the company in capital market transactions.

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

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

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

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

Associates:

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

Company	Share on capital (%)	Foundation and operation place	Main operation area
Halk Portföy Yönetimi A.Ş.	25,00%	İstanbul	Portfolio management

Halk Portföy Yönetimi A.Ş.

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

Approval of the Financial Statements:

Board of Directors has approved the financial statements and delegated authority for publishing it on 14 February 2018.

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

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

2 Basis of Presentation of Financial Statements

2.1. Basis of Presentation

Statement of Compliance in TAS

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

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

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

Currency Used

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

Preparation of Financial Statements in Hyperinflationary Economies

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

Comparative Information and Reclassification of Prior Period Financial Statements

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

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

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

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

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

2. Basis of Presentation of Financial Statements (continued)**2.1. Basis of Presentation (continued)**Comparative Information and Reclassification of Prior Period Financial Statements (continued)

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

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

Foreign Currency Transactions

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

Foreign currency rate for 31 December 2017 and 31 December 2016 are as follows:

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

2.2. Changes in Accounting Policies

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

2.3. Changes in Accounting Estimates and Errors

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

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

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

2. Basis of Presentation of Financial Statements (continued)**2.4. New and Revised Turkish Accounting Standards**a) Amendments that are mandatorily effective for the current year

Amendments to TAS 12	<i>Recognition of Deferred Tax Assets for Unrealized Losses¹</i>
Amendments to TAS 7	<i>Disclosure Initiative¹</i>
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 12¹</i>

¹ Effective for annual periods beginning on or after 1 January 2017.

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

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

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

Amendments to TAS 7 Disclosure Initiative

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

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

Annual Improvements to TFRS Standards 2014–2016 Cycle

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

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

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

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

2. Basis of Presentation of Financial Statements (continued)**2.4. New and Revised Turkish Accounting Standards (continued)****b) New and revised TFRSs in issue but not yet effective**

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

TFRS 9	<i>Financial Instruments</i> ¹
Amendments to TFRS 10 and TAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to TFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions</i> ¹
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹
Amendments to TAS 40	<i>Transfers of Investment Property</i> ¹
Annual Improvements to TFRS Standards 2014–2016 Cycle	<i>TFRS 1</i> ¹ , <i>IAS 28</i> ¹
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ²

¹ Effective for annual periods beginning on or after 1 January 2018.² Effective for annual periods beginning on or after 1 January 2019.**TFRS 9 Financial Instruments**

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

Key requirements of TFRS 9:

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

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

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

2. Basis of Presentation of Financial Statements (continued)**2.4. New and Revised Turkish Accounting Standards (continued)****b) New and revised TFRSs in issue but not yet effective (continued)****TFRS 9 Financial Instruments (continued)**

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

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

Classification and measurement

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

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

Impairment

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRIC 22 Foreign Currency Transactions and Advance Consideration

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

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

The Interpretations Committee came to the following conclusion:

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

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

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

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

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

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

Amendments to TAS 40 Transfers of Investment Property

The amendments to TAS 40 Investment Property:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Annual Improvements to TFRS Standards 2014–2016 Cycle

- **TFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of TFRS 1, because they have now served their intended purpose.
- **TAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

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

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

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

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

2. Basis of Presentation of Financial Statements *(continued)***2.5. Summary of Significant Accounting Policies****2.5.1. Accounting of revenue and expenses****Sales revenue and financial income****Sales Revenue**

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

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

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

Service Income

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

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

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

Other

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

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

Other revenue and expenses are recognised on accrual basis.

2.5.2. Related Parties

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

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

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

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

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

2. Basis of Presentation of Financial Statements *(continued)***2.5. Summary of Significant Accounting Policies** *(continued)***2.5.2. Related Parties** *(continued)*

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

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

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

2.5.3. Tangible Assets

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

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

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

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

2. Basis of Presentation of Financial Statements (continued)**2.5. Summary of Significant Accounting Policies (continued)****2.5.3. Tangible Assets (continued)**

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

The estimated useful lives of tangible assets are as follows:

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

2.5.4. Intangible AssetsIntangible assets acquired separately

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

2.5.5. Associates

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

2.5.6. Financial InstrumentsFinancial assets

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

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

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

2. Basis of Presentation of Financial Statements (continued)**2.5. Summary of Significant Accounting Policies (continued)****2.5.6. Financial Instruments (continued)**Financial assets at FVTPL

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

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

Loans and receivables

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

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

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

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

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

2.5.6. Financial Instruments *(continued)*

Cash and cash equivalents

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

Recognition and derecognition of financial assets

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

Financial liabilities

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

Derivative financial instruments and hedge accounting *(continued)*

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

2.5.7. Effect of Exchange Differences

Foreign Currency Balances and Transactions

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

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

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

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

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

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

2. Basis of Presentation of Financial Statements (continued)**2.5. Summary of Significant Accounting Policies (continued)****2.5.8. Earnings Per Share**

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

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

2.5.9. Events After the Reporting Period

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

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

2.5.10. Provisions, Contingent Assets and Liabilities

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

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

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

Onerous contracts

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

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

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

2. Basis of Presentation of Financial Statements (continued)**2.5. Summary of Significant Accounting Policies (continued)****2.5.10. Provisions, Contingent Assets and Liabilities (continued)****Restructuring**

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

Warranties

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

2.5.11. Reporting of Financial Information According to Department

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

2.5.12. Income Taxes

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

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

Current tax

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

Deferred tax

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

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

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

2. Basis of Presentation of Financial Statements *(continued)***2.5. Summary of Significant Accounting Policies** *(continued)***2.5.12. Income taxes** *(continued)*

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

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

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

Current and deferred tax for the period

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

2.5.13. Employee Benefits***Termination and retirement benefits:***

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

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

Profit-sharing and bonus plans

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

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

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

2. Basis of Presentation of Financial Statements *(continued)***2.5. Summary of Significant Accounting Policies** *(continued)***2.5.14. Statement of Cash Flows**

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

2.5.15. Share Capital and Dividends

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

2.5.16. Borrowing costs

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

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

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

3 Cash and cash equivalents

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

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

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

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

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

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

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

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

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

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

4 Financial Investments**Short term financial assets**

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

Financial assets at fair value through profit or loss

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

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

Long term financial assets

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

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

Available for sale financial assets

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

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

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

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

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

5 Trade receivables and payables

Trade receivables

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

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

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

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

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

Trade payables

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

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

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

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

6 Financial liabilities

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

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

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

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

31 December 2017			
	Interest rate (%)	Maturity	Amount
Settlement and Custody Bank	11,70% - 14,50%	2 February 2018 - 9 February 2018	337.499.027
Total			337.499.027

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

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

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

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

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

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

7 Other long term assets

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

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

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

8 Other receivables and payables**Other receivables**

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

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

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

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

Other payables

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

	31 December 2017	31 December 2016
Taxes and dues payable	4.899.946	1.603.171
Other	27.247	-
Total	4.927.193	1.603.171

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

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

9 Investments accounted by the equity method

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

⁽¹⁾ Halk Portföy Yönetimi AŞ was established on 24 June 2011 by registration to Istanbul Trade Registry and declaration to Trade Registry Gazette dated 30 June 2011 and numbered 7848. The Company paid TL 4,500,000 in cash for the 25% share of Halk Portföy Yönetimi AŞ. Halk Portföy Yönetimi AŞ's share capital is comprised of 18,000,000 shares each having a nominal value of TL 1.

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

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

10 Prepaid expenses

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

	31 December 2017	31 December 2016
Prepaid expenses ⁽¹⁾	1.187.242	416.009
Prepaid rent	338.826	406.685
	1.526.068	822.694

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

11 Tangible assets

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

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

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

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

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

12 Intangible assets

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

	Software
Cost	
Opening balance, 1 January 2016	2.125.211
Additions	125.061
Ending balance, 31 December 2016	2.250.272

Opening balance, 1 January 2017	2.250.272
Additions	241.223
Ending balance, 31 December 2017	2.491.495

Accumulated amortisation

Opening balance, 1 January 2016	1.741.200
Current year charge	234.862
Ending balance, 31 December 2016	1.976.062

Opening balance, 1 January 2017	1.976.062
Current year charge	210.605
Ending balance, 31 December 2017	2.186.667

Net book value

31 December 2016	274,210
31 December 2017	304,828

13 Provisions, contingent assets and liabilities

Other short-term provisions

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

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

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

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

13 Provisions, contingent assets and liabilities (continued)**Off balance sheet liabilities**

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

Letter of guarantees given

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

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

Other off balance sheet liabilities

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

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

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

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

Lawsuits

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

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

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

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

14 Employee benefits

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

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

Unused vacation pay liability

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

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

Personnel dividend bonus provision

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

Employee severance pay liability

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

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

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

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

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

14 Employee severance pay liability (continued)

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

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

15 Equity**Share Capital**

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

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

Restricted reserves

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

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

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

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

15 Equity (continued)**Remeasurement and reclassification gains**

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

Other gains

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

Retained earnings

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

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

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

16 Sales revenue and cost of sales

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

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

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

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

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

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

17 Marketing and general administrative expenses

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

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

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

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

17 Marketing and general administrative expenses (continued)

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

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

18 Expenses by function

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

19 Other operating income and expenses

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

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

⁽¹⁾ Comprises other income received from customers, reflected postage fees and taxes.⁽²⁾ Comprises dividend income on corporate portfolio.⁽³⁾ The amount of TL 19,807 is received as grant from treasury (31 Aralık 2016: TL 2,163,365).

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

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

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

20 Finance income / expense

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

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

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

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

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

21 Taxation**Corporate Tax**

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

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

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

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

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

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

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

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

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

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

21 Taxation (continued)

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

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

Deferred tax

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

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

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

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

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

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

22 Earnings per share

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

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

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

	31 December 2017	31 December 2016
Cash and cash equivalents		
T. Halk Bankası A.Ş.	711.036.163	290.398.345
- Time deposit	695.036.566	278.527.802
- Demand deposit	15.999.597	11.870.543
Financial investments		
Halk Sigorta A.Ş.	15.601.845	17.934.103
- Stocks	15.601.845	17.934.103
Total	726.638.008	308.332.448
	31 December 2017	31 December 2016
Trade receivables from related parties		
Halk Varlık Kiralama A.Ş.	263.220	-
Halk Portföy Yönetimi A.Ş. Funds	27.520	7.327
Halk Portföy Yönetimi A.Ş.	11.011	10.810
Halk Hayat ve Emeklilik A.Ş. Funds	3.164	-
Halk Sigorta A.Ş.	-	5.900
Total	304.915	24.037
	31 Aralık 2017	31 Aralık 2016
Payables to related parties		
Halk Sigorta A.Ş.	758.400	315
T. Halk Bankası A.Ş.	5.691	-
Bilişim ADK A.Ş.	2.784	1.987
Halk Portföy Yönetimi A.Ş.	-	1.174
Halk Hayat ve Emeklilik A.Ş.	-	43
Total	766.875	3.519

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

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

23 Related party disclosures (continued)

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

Income from related parties

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

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

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

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

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

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

Wages and other benefits granted to top management

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

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

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

24 Nature and level of risks related to financial instruments

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

24.1. Credit risk

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

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

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

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

24.1. Credit risk (continued)

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

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

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

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

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

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

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

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

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

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

24.1. Credit risk (continued)

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

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

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

24.2. Liquidity risk

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

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

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

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

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

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

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

24.2. Liquidity risk (continued)

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

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

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

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

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

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

24.3. Market risk

Foreign currency risk

The assets denominated in foreign currency of the Company exposes to foreign currency risk, due to changes between currency rate at transaction date and at end of the reporting date, while translate the assets denominated in foreign currency. As of 31 December 2017 and 31 December 2016, the Company's foreign currency position is as follows:

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

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

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

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

24.3. Market risk (continued)

Foreign currency risk (continued)

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

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

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

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

24.3. Market risk (continued)

Sensitivity to foreign currency

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

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

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

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

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

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

24.3. Market risk (continued)

Price risk

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

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

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

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

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

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

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

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

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

24.3. Market risk (continued)

Interest rate risk

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

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

Interest risk position table

Equity securities are not included in financial investments.

The Company's debt securities classified as financial assets at fair value through profit or loss, are exposed to price risk depending upon interest rate changes in the market. Based on the analysis calculated by the Company, if the interest rate for TL were increased/(decreased) by 1% with the assumption of keeping all other variables constant, the effect on the fair value of fixed income financial assets and net profit/loss and the effect on equity for the year ended as at 31 December 2017 and 31 December 2016 would be as follows:

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

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

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

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

24 Nature and level of risks related to financial instruments (continued)**24.4. Capital management**

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

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

a) Non-current assets;

1) Tangible assets (net),

2) Intangible assets (net),

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

4) Other non-current assets,

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

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

a) Minimum equity capital corresponding to certificate of authorisation,

b) Risk provision,

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

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

Risk provision

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

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

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

24 Nature and level of risks related to financial instruments (continued)**24.4. Capital management (continued)**

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

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

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

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

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

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

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

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

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

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

25 Financial instruments (continued)**Fair value disclosures (continued)***Classification relevant to fair value information (continued)*

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

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

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

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

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

26 Other matters

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

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

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

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

26 Other matters (continued)

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

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

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

27 Events after the reporting period

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

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

HALİDE EDİP ADIVAR MAH.
DARÜLACEZE CAD. NO: 20 KAT: 4 ŞİŞLİ 34382 İSTANBUL - TURKEY
TEL: +90 212 314 81 81 FAKS: +90 212 221 31 81
WWW.HALKYATIRIM.COM.TR