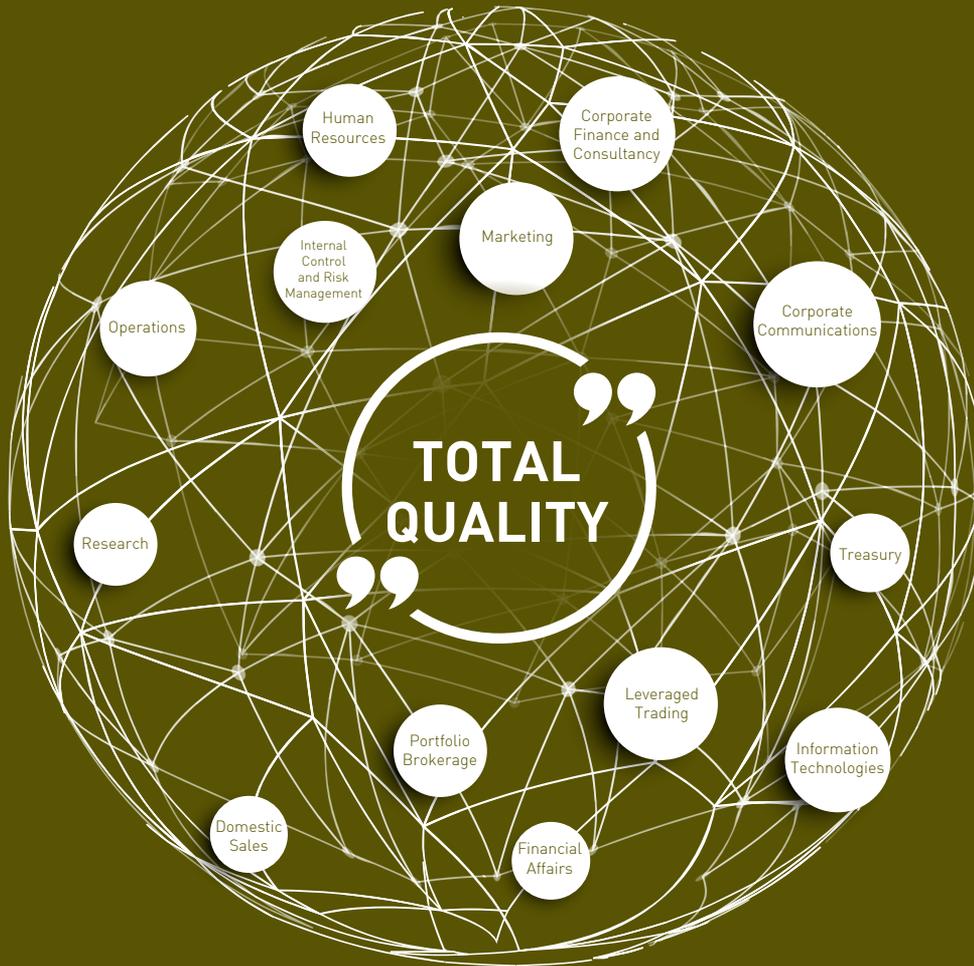


Annual Report 2015



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The culture of a company gets richer, stronger with age while reaching a certain point, which fulfils the expectations of the future skilfully. Just like the process of a tree from taking its first root to taking its majestic trunk. Similar to a tree, Halk Invest grows year by year while enriching its culture and carrying its experiences to goals of the future. While doing so, it is inspired by nature's preserved harmony as it constantly renews itself.

Halk Invest makes proficiency improving investments with total quality approach while always focusing on improving the quality of its services. The holistic approach and Total Quality Management that lies beneath this philosophy has been the most decisive power behind Halk Invest's performance to this day, its concluded projects and its added value for the industry.

2015 was a year in which, each of Halk Invest's business departments expressed a harmony like pieces of a puzzle and turned their efforts into total quality. Having combined its mission to cherish human resource with its corporate culture through all of its stakeholders, Halk Invest left a year behind with its ability to see and adapt the future from today.

In this annual report, you will find both a brief summary of the recent past and see the Total Quality Approach principle inspired by the perfect harmony of nature with detail through Halk Invest's business activities. As Halk Invest we are committed to make a difference in our industry by reaching a holistic harmony with all our business lines, acting with faith in improving human resource quality to improve service quality and by creating social responsibility projects aligned with our corporate philosophy.

The Approach of Total Quality Management

To establish a corporate culture based on total quality approach is only possible when the notion of teamwork is internalized. Within this sense, all units at Halk Invest operate with a common wisdom and create business models around 3 basic committees.

Segmentation Committee



Change and Development

The impact of sustainability on nature strongly reveals itself at corporations. Compared to humans who have limited lifetimes and business lives, corporations live much longer. And for corporations, achieving sustainability is a strategic challenge.

In order to sustain sustainability, first a corporation needs to institutionalize. By internalizing the corporate culture of T. Halk Bankası AŞ, its main shareholder, Halk Invest supports its own internalization process with total quality approach.

Achieving sustainability depends on consistency and a resolutely exercised philosophy. While pondering on the connection between the meaning of sustainability and business results, we work on business strategies that will satisfy our stakeholders, reduce costs and create value constantly. Similar to how nature works, constantly renewing itself, sustaining continuity, relying on gains of diversity and turning the order within small details into the supervisor of a much bigger order is a crucial part of Halk Invest's corporate culture.

Corporate Profile

By well interpreting and evaluating the growth dynamics of our economy, Halk Invest continues to be a pioneer of improvement with its strong belief in the future of capital markets in Turkey and its modern service approach.

Halk Invest aims to become one of the leading and pioneer intermediaries in Turkey that expands to a global scale with its effectiveness and productivity oriented business model, shaped under the basis of trust, customer focus, sharing of fresh information and embracing of technology trends. One other key goal of Halk Invest is to become a reference point of Halk Group in capital markets.

**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
- Investment Consultancy
- Limited Custody Service

By interpreting the gain as a culture, Halk Invest places the culture of gain in the heart of its products and services. Within this respect, Halk Invest aims to provide market oriented, dynamic and innovative products and services to its customers.

Basic Information

Foundation: 1997

Number of Branches: 9

Number of Employees: 144

Average Age of Employees: 35

Employees' Level of Education: 96% higher education

Average Employee Seniority: 4.2 years



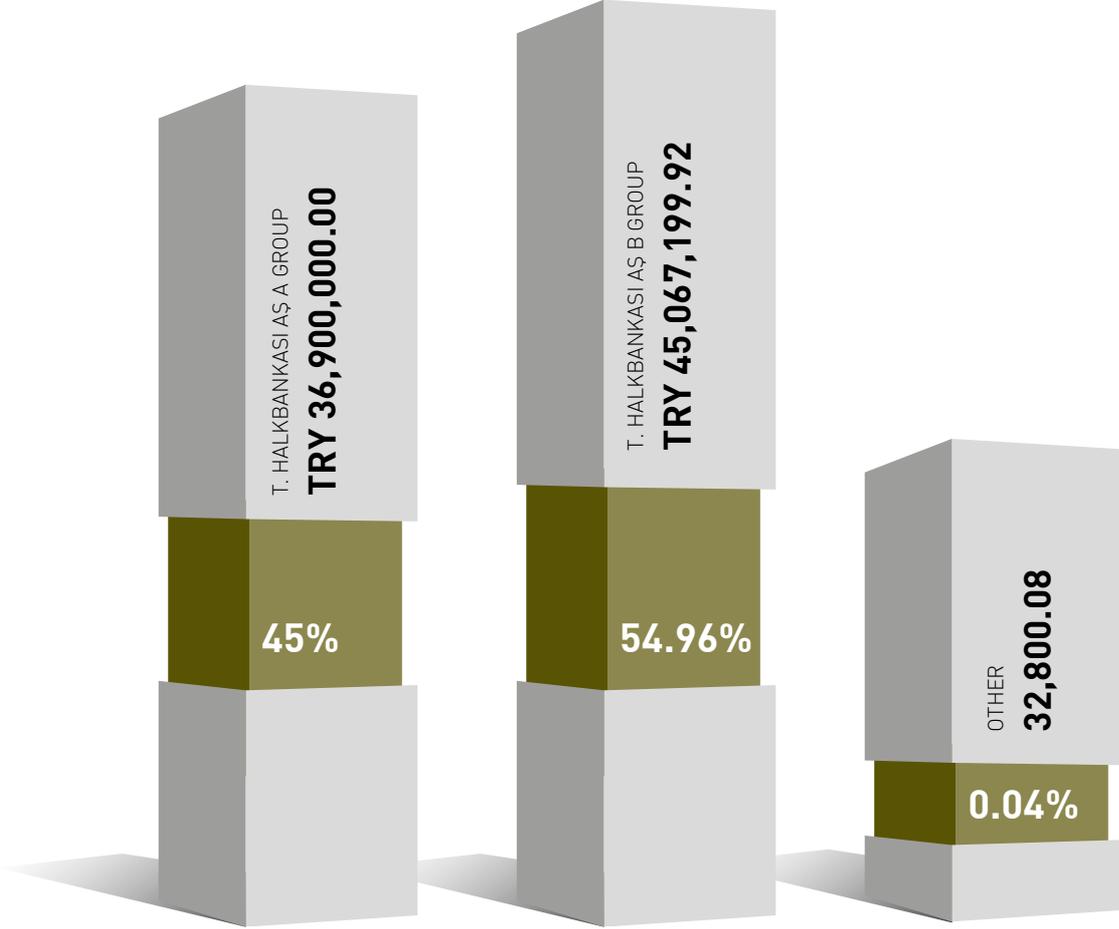
Halk Invest is a subsidiary (99.9%) of
T. Halk Bankası AŞ (Halkbank).

Major Indicators

SUMMARIZED FINANCIAL INDICATORS	31.12.2015	31.12.2014
Balance Sheet Items		
Assets		
Floating Assets	171,323,078.00	464,771,668.00
Cash and Cash Equivalents	67,467,710.00	91,962,025.00
Long Term Assets	6,679,023.00	5,349,336.00
Total Assets	178,002,101.00	470,121,004.00
Resources		
Short Term Liabilities	74,309,586.00	380,052,165.00
Long Term Liabilities	845,118.00	335,585.00
Shareholders' Equity	102,847,397.00	89,733,254.00
Net Profit / (Loss) for Period	13,591,545.00	19,207,916.00
Total Resources	178,002,101.00	470,121,004.00
Income Table Items		
Gross Real Operating Profit / (Loss)	39,339,690.00	30,788,928.00
Operating Profit / (Loss)	8,908,704.00	5,476,241.00
Pre-Tax Profit / (Loss)	15,991,860.00	23,355,590.00
Tax	2,400,315.00	4,147,674.00
Net Profit / (Loss) for Period	13,591,545.00	19,207,916.00
FINANCIAL RATIOS		
Liquidity Ratios		
Current Ratio (Floating Assets / Short Term Debts)	231%	122%
Cash Ratio (Liquid Assets / Short Term Debts)	91%	24%
Financial Structure Ratios		
(Short Term Debts + Long Term Debts) / Assets	42%	81%
Equities/Assets	54%	17%
Profitability Ratios		
Net Profit / Assets	8%	4%
Net Profit / Equities	14%	23%

Total Assets (TRY Million) 2014 **90** 2015 **103**

Capital and Shareholding Structure



ISSUED CAPITAL

TRY 82,000,000.00

A Halk Invest subsidiary:

Halk Portföy Yönetimi AŞ

Halk Portföy Yönetimi AŞ was founded on June 24th, 2011 by being registered in Istanbul Commerce Registry and through announcement in Trade Registry Gazette of June 30th 2011, no: 7848. Halk Portföy Yönetimi manages investment funds founded by the Bank and Halk Invest as well as pension investment funds founded by Halk Emeklilik AŞ and corporate and individual client portfolios (special portfolio management).

Foundation: **2011**

Halk Invest share in capital: **25%**

Major Area of Activity: Investment Fund, Pension Fund and Portfolio Management

Issued Capital: **TRY 8,000,000.00**

Message from the Chairman

When we look back at 2015, which witnessed significant changes in the global economy and their effects on our country, we have reason to believe that it will be remembered as a year in which the volatility in the markets continued, yet the stability was maintained in despite two domestic elections. I believe that during the next four years, which will not witness any elections, will be the ideal period for us to use all our energy in order to create projects with added value.

In a global conjuncture with intense uncertainties, we are passing through a phase in which the perception of risk increases and the asset prices decrease. This trend is also being affected by general tendencies throughout the world. In a phase like this, our company found the balance between target and efficiency within capital markets, while acting with the mission to quickly adapt the transformation and development of capital markets by approaching the vision of making Istanbul a financial centre and related action plan for this cause with sectoral responsibility. In addition, we showed our maximum effort in terms of creating financial awareness and raising confidence on capital markets.

We welcomed the year 2016 with economic slowdown reports from China, one of the biggest economies in the world, and many other emerging countries. We

also witnessed FED's decision to increase interest rates, which was highly anticipated by markets. It is obvious that the distinct decline in commodity prices -oil in particular- will have a positive effect on raw material importing economies. I believe by the end of 2015, the 7-year record low of oil prices is a positive development for our country. There will be a necessity of monitoring all these issues with the rest of the world throughout the year. Having said that, we also plan to facilitate our experience in capital markets to create new collaborations in Balkans and the Middle East by utilizing opportunities and developments within our nearby geography.

In a period in which the new Capital Market Law took effect and updates for related communiqués still continue, intermediaries open new horizons and institutions face significant opportunities to

transform themselves into investment banks. With its human resource quality and its references of recent closed deals, Halk Invest is among the companies, which assesses this process quite well. We are in a process, in which intermediaries are obliged to achieve a strong capital structure and adopt the technological transformation at Borsa Istanbul. Institutions that fail to adopt this transformation are getting eliminated in this process. Our company on the other hand is determined to improve its quantitative goals and its level of effectiveness as well as providing added value to our industry with all of our business lines by embracing effective use of resources internally and total quality approach.

Just as we always indicate, Halk Invest will continue to strengthen its position as Halk Group's reference point in capital markets. In this sense, we strongly

believe that our company will get results aligned with its goals and leave the year 2016 behind with success. I would like to take this opportunity to thank T. Halk Bankası AŞ, our main shareholder; our employees, our valuable clients, all of our stakeholders on behalf of our Board and myself.



Murat UYSAL
Chairman

Board of Directors

Murat UYSAL

Chairman

Murat Uysal commenced his career at Tekstilbank in 1998 as a specialist assistant. He also served as manager and specialist in the Foreign Exchange – Money Market, and Securities Departments. Mr. Uysal has been the head of T.Halk Bankası AŞ's Money and Capital Markets between 2007 and 2011. Murat Uysal has been the Deputy General Manager responsible for the Treasury Management of T.Halk Bankası since 11.11.2011. Murat Uysal is currently the Chairman of the company.

Selahattin SÜLEYMANOĞLU

Vice President of the Executive Board

Having commenced his career at Adabank AŞ in 1990 as a Deputy Inspector, Mr. Süleymanoğlu started to work at T. Halk Bankası AŞ as a Branch Manager in 2001. Mr. Süleymanoğlu served as a Branch Manager at various branches and Ankara Corporate Branch in particular. He served as Deputy General Manager at various departments including Risk Tracking and Liquidation between 2007 and 2009, Operational Transactions between 2009 and 2010, Risk Management and Internal Audit between 2010 and 2014. Since 04/07/2014, Mr. Süleymanoğlu has been serving as the Deputy General Manager responsible for Operational Transactions. As the current President of Halkbank Sports Club, Mr. Süleymanoğlu is also the Vice President of the Executive Board of Bileşim AŞ, a subsidiary of our bank and Vice President of the Executive Board of Halk Invest.

Murat ÇETİNKAYA

Board Member and General Manager

Murat Çetinkaya was born in Ankara in 1970. He graduated from TED Ankara College. After graduating from Middle Eastern Technical University Metallurgical and Materials Engineering Department, he concluded his post graduate studies at T.C. Ziraat Bankası AŞ Banking School and Marmara University Banking and Insurance Institute respectively. Murat Çetinkaya started his professional career at T.C. Ziraat Bankası AŞ Fund Management Directorship and then continued his career at Tekstilbank AŞ to serve as a Deputy Treasury Director prior to his appointment as Head of Directory at Diler Yatırım Bankası AŞ in 2010. Having served as the General Manager of Halk Invest since 05/08/2010, Murat Çetinkaya has also been serving as a member of Halk Portföy Yönetimi AŞ Board of Directors between 2012 and April 2013, the Head of Discipline Committee of Borsa İstanbul AŞ (Since 2014) and Vice President of Turkish Union of Chambers and Commodity Exchanges since 2012. Mr. Çetinkaya is also a Board Member at Halk Invest since April 2013.

Kadir YAYLAK

Board Member

Having commenced his professional life in 1994 as a Deputy Inspector at T. Halk Bankası AŞ, Kadir Yaylak took different duties in the same institution such as Inspector, Career Inspector, Head Inspector, Vice President of Supervisory Board and Department Manager. Since 2009, Kadir Yaylak has been serving as the Head of Tax Management and Accountancy and also a Board Member.

Serdar SÜRER
Board Member

Serdar Sürer started his professional career at Arz Menkul Değerler AŞ in 1992. Until 2002, he served as Head of Securities and Branch Manager at Ekinciler & Global. Sürer was appointed as the Head of Investment Funds at T. Halk Bankası AŞ Treasury Unit in 2002. Serdar Sürer serves as the Head of Money and Capital Markets since 2012 and continues to be a Board Member.

Ayşegül SAYIN
Board Member

Ayşegül Sayın started her professional career in 1991 at N. V. Turkse Shell as an Instrumentation Project Manager. Having held different positions such as System Analyst, Project Manager and Service Manager at Pamukbank TAŞ Data Processing Group, Ayşegül Sayın has been serving as the Head of Technologic Architecture Management at T. Halk Bankası AŞ since 2005. As of 09.04.2013, Ayşegül Sayın is a Board Member at Halk Invest.

Dursun Ali ALEV
Board Member

Dursun Ali Alev started his professional career at T. Halk Bankası AŞ's Istanbul Branch as a bank official. He served in different positions including Branch Manager at Istanbul Stocks and Bonds Branch and Department Head at T. Halk Bankası AŞ Treasury Operations respectively. Having served as the Head of Treasury Operations at T. Halk Bankası AŞ since 2004, Dursun Ali Alev is also a Board Member.

Hilali YILDIRIM
Board Member

Hilali Yıldırım was born in 1973 in Kırşehir. He graduated from Yıldız Technical University Computer Programming Department, Marmara University Business Management, Istanbul University Management and Economics Institute and Marmara University Banking Masters Programme. He still continues to his PhD at Business Administration Department. Having commenced his career at T.C. Ziraat Bankası in 1994 in business information department, Mr. Yıldırım joined Esbank Inspection Board as a deputy inspector and later he worked at Inspection Board, Branch and Treasury departments of various banks. Following his duty as the Chairman of Inspection Board, Hilali Yıldırım served as the Deputy General Manager responsible for Financial and Operational Transactions at Ziraat Finansal Kiralama AŞ. As the current Deputy General Manager at T. Halk Bankası AŞ, Mr. Yıldırım is also a Board Member at T. Halk Bankası Skopje and Halk Invest.

Vahdet BÜYÜKER
Board Member

Having worked at T. Halk Bankası AŞ Information and Financial Evaluation Department as an Engineer and Division Manager from 1990 to 2007, Mr. Vahdet Büyüker also served as a Branch Manager between 2007 and 2015. Since 10/03/2015, he has been serving as the Regional Coordinator at T. Halk Bankası AŞ Gaziantep. He is also a Board Member.

Message from the CEO

To our valuable stakeholders,

In 2015 operating cycle our industry had a tough year. Double elections, increased terror incidents, immigrant crisis and similar other events were key factors behind this outlook. Apart from these, global trends, which started in May 2013 with FED's tightening announcement and has been extending to the detriment of emerging countries for the last 3 years, continued to be negative factors for Turkey's assets. Nevertheless, Halk Yatırım Menkul Değerler AŞ made IFRS TRY 13.6 million profit in 2015 and operated with a profit ahead of performance curve of the industry (*The year-end figures of the industry has not been published yet*) with 13.7% return on equity.

Sectoral incomes, which have been driven by leveraged trading revenues in particular during the last period, are not spread over to base. As of 09/2015, leveraged trading mainly drives the 75% of industry profit, which is roughly TRY 400 million. Half of 80 companies however are making loss. In order to protect its clients, Halk Invest always acted conservatively on its activities in this particular income group. Therefore its profitability has a very healthy structure.

As Halk Invest, we successfully completed the 5th year (1st phase) of our structural transformation program, which was prepared in 2010 with 5 years perspective. I would like to take this opportunity to state the main highlights of this period. In terms of profit-oriented operations; we shifted from 25 dispersed liaison offices/session room office structure to a 9 professional branch structure, which embraces the distribution channel of our main shareholder Halkbank as a natural realm. We separated monetary management function, which was previously run by our company and collated this

function under Halk Portföy Yönetimi AŞ, which we own a 25% share. In consequence of this strategic step, which meant 30% decrease in revenues, we were able to increase our profitability during further periods without facing any net profit declines. On one hand we pioneered the structuring of professional monetary management service within our Bank, on the other hand we built our Corporate Finance capacity, our new and revenue generating business field.

As of today, we are a public funded investment institution that resides in the centre of tender traffic within significant capital markets. In time, we made significant improvements in our HR structure, as each new operation needed a new one. Global Banking and Finance Review have selected us as the industry leader second year in a row thanks to our exclusive bond issue service operations. All in all, I believe that during the first phase of our restructuring we have become a leading capacity of our country's investment banking vision, with the strength of being approved by CMB (Capital Markets Board) as "Intermediary with Broad Authority Licensee".

We also made significant improvements for our support-based operations. When we compare our information technologies infrastructure in 2010 and our IT Topology in the end of 2015, I can easily say that we made a remarkable progress, which is hard to define only by writing. This is not only a reflection of our outstanding precision regarding EDP security but also a concrete result of our uncompromised infrastructure investments. With the same vision and strategy that we embraced in order to make next generation infrastructure efforts, we carry on our projects focusing on in-house IT solutions within Yıldız Teknopark.

In order to build a corporate culture in our company we activated our Corporate Communications function. We shared the works of our Research team with our clients at our Investor Conferences. We launched a series of projects, which are designed to show their added values within years rather than being a one-off occasion and to make our personnel proud to be a part of, for establishing a humane and cultural sensitiveness as a corporate culture.

We planted young trees to celebrate each born Halk Invest baby in our Company forest. With consent of the Ministry of Culture and Tourism, we sponsored excavations of Çavdarhisar Aizanoi Ancient City located at Kütahya, a UNESCO World Heritage Site since 2012 (registration number: 5724) that hosts the oldest known stock exchange. Every year, we randomly pick some of our employees to join excavation sessions for a couple of days. We supported scientific publications through Center for Applied Research – Boğaziçi University and EFFAS Turkey (Capital Professionals Association). We brought water to our fellow toddlers studying at a village elementary with 400 students and built classrooms for them. The most important of all, following our initial support we reported to our Bank in order to make this project sustainable and allowed our Bank to adopt this cause as well. I would like to send my sincere thanks to all of our stakeholders, who helped us on our cause, particularly our clients, our human resource and our main shareholder.

Now we are looking forward to our new structuring phase (Phase 2) for period of 2016-2020. We tried to give some hints about our future projects. Committees, which were mentioned as Project Istanbul in previous year's annual report, are currently active. Our committees share a single goal: to create a more efficient collaboration around every possible topic.

In a nutshell, we aim to make Halk Invest ready for our country's 2023 vision and a whole transaction broker and an efficient investment bank that exports its corporate culture while building mechanisms to sustain the most effective corporate operation structure between different departments. We want to become a company that looks to the future by exercising sustainability policies successfully and contributing to humanity, our nation, our country and our main shareholder T. Halk Bankası AŞ.

Halk Invest has always been and always will be a Halkbank subsidiary, which will not compromise working voluntarily for financial missions that is in favour of our country and all of its stakeholders rather than working only dependent on financial performance. With this awareness in mind, we will continue to march on the future of our country's capital markets. I heartily wish that 2016 to be a good and a successful year for our clients, our employees, our main shareholder, our nation and humanity.

Best Regards.



Murat ÇETİNKAYA
General Manager
Board Member

Murat ÇETİNKAYA

Board Member and General Manager

Murat Çetinkaya was born in Ankara in 1970. He graduated from TED Ankara College. After graduating from Middle Eastern Technical University Metallurgical and Materials Engineering Department, he concluded his post graduate studies at T.C. Ziraat Bankası AŞ Banking School and Marmara University Banking and Insurance Institute respectively. Murat Çetinkaya started his professional career at T.C. Ziraat Bankası AŞ Fund Management Directorship and then continued his career at Tekstilbank AŞ to serve as a Deputy Treasury Director prior to his appointment as Head of Directory at Diler Yatırım Bankası AŞ in 2010. Having served as the General Manager of Halk Invest since 05/08/2010, Murat Çetinkaya has also been serving as a member of Halk Portföy Yönetimi AŞ Board of Directors between 2012 and April 2013, the Head of Discipline Committee of Borsa İstanbul AŞ (Since 2014) and Vice President of Turkish Union of Chambers and Commodity Exchanges since 2012. Mr. Çetinkaya is also a Board Member at Halk Invest since April 2013.

Ali ÖMÜRBEK

Deputy General Manager

Ali Ömürbek was born in Iran in 1964. After graduating from the Mathematics Department of Istanbul Technical University in 1991, Ali Ömürbek started his professional career as a Software and Analysis Engineer at a computer firm. Having served as an IT Manager at General Finans AŞ, Ali Ömürbek started to work as the IT Manager of Halk Invest in 2002. Ömürbek has been serving as the Deputy General Manager Responsible for IT, Human Resources, Administrative Affairs, Legal Affairs, Financial Affairs and Operations since December 2008.

Nil MÜHÜR

Deputy General Manager

Nil Mühür was born in 1972 in Izmir. She graduated from Izmir Bornova Anadolu High School in 1989. In 1993 she graduated from the Econometrics Department of Dokuz Eylül University. In the same year, she went to T.C. Ziraat Bankası Banking School to continue her studies and graduated from this institution in 1994. She started her professional career as a specialist at T.C. Ziraat Bankası AŞ Izmir Branch responsible for securities. Having served in different administrative positions at Ziraat Yatırım and other brokerage houses, Nil Mühür has been serving as the Deputy General Manager Responsible for Domestic Sales, Marketing and Corporate Communications to date.

Bülent SEZGİN

Deputy General Manager

Bülent Sezgin was born in 1975 in Bandırma. He was graduated from Political Science and Public Administration Department of Middle Eastern Technical University in 1997. He started his professional career at Esbank TAŞ as an assistant specialist in 1997. He served in different positions at İktisat Portföy Yönetimi AŞ, Pozitif, M&A International GmbH respectively. In 2011, he was appointed as the Manager of Corporate Finance at Halk Invest He has been serving as the Deputy General Manager Responsible for Corporate Finance and Treasury since 2012.

Having contributed to Turkish finance industry with its affiliates, Halkbank was founded in 1938 to provide loan to craftsmen and tradesmen under convenient conditions.

With its unchanged mission to provide uninterrupted financial support to real sector for 77 years, the Bank provides banking products and services to craftsmen, tradesmen, SMEs and other individual and corporate customers.

In 2012, Halkbank shares were offered to public for the second time and the free float rate of the bank reached to 48.9%. These IPOs took their place in history as the biggest and most successful IPOs that ever happened in Turkey.

In the last decade, the bank contributed TRY 15 billion to state budget through share selling, bonuses and corporation income tax.

Currently the 6th biggest bank in Turkey, Halkbank's total assets reached to TRY 191 billion by December 2015.

Halkbank took the 102nd place in The Banker magazine's list of 250 banks, which ranks the banks in the world based on their strength and reliability under certain criteria including Asset Quality, Liquidity, Risk Environment and Profitability.

Halkbank has won the "Fastest Growing Bank in Visa Card Shopping Volume" award in Visa Europe's annual Visa Achievement Awards for its member banks in Turkey.

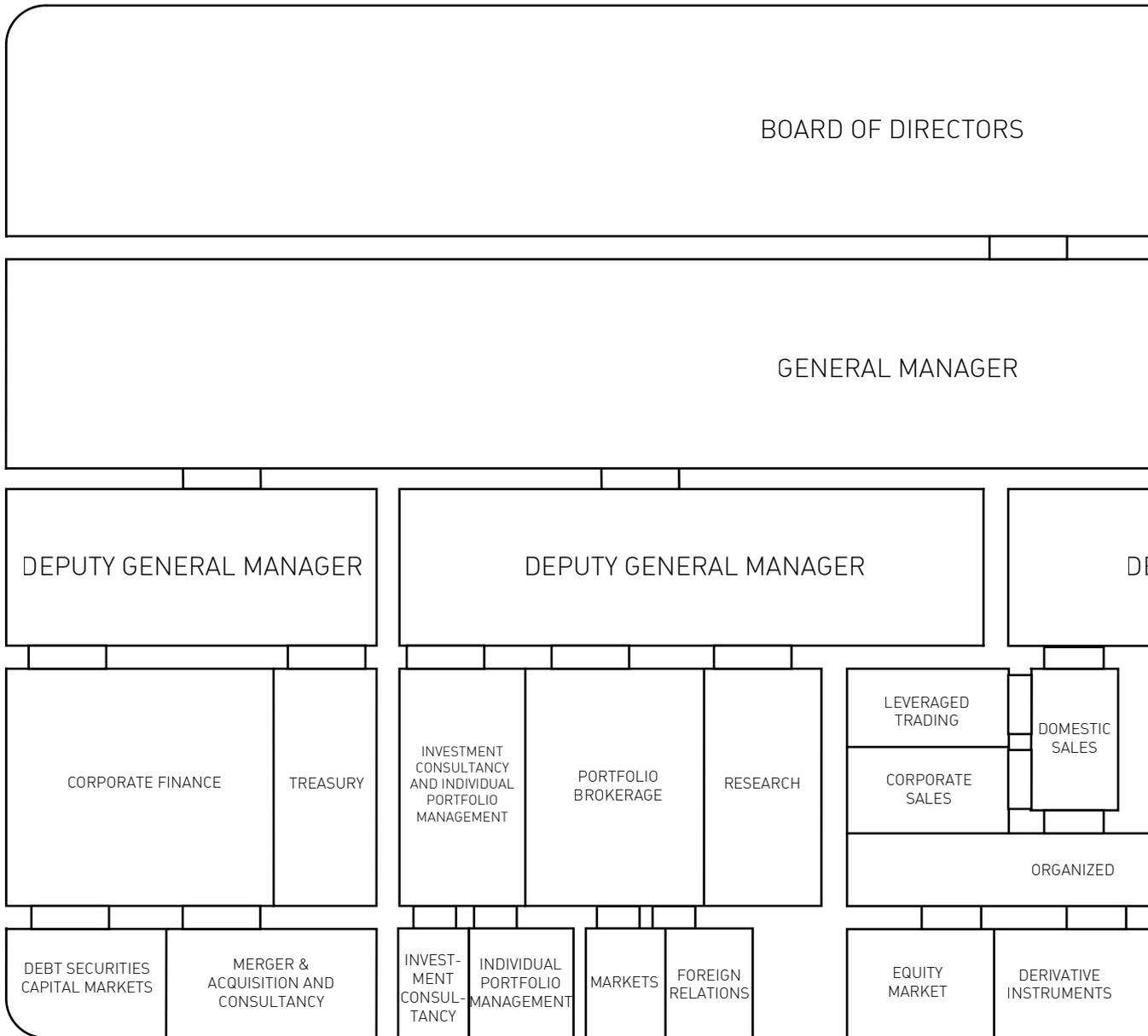
With 77 years of experience and a strategy based on profitability and efficiency, Halkbank grows and strengthens in every field of banking industry. While diversifying and increasing its support to SMEs and country's economy to sustain its identity as a mission bank, Halkbank continues to carry out all requirements of modern and international banking.

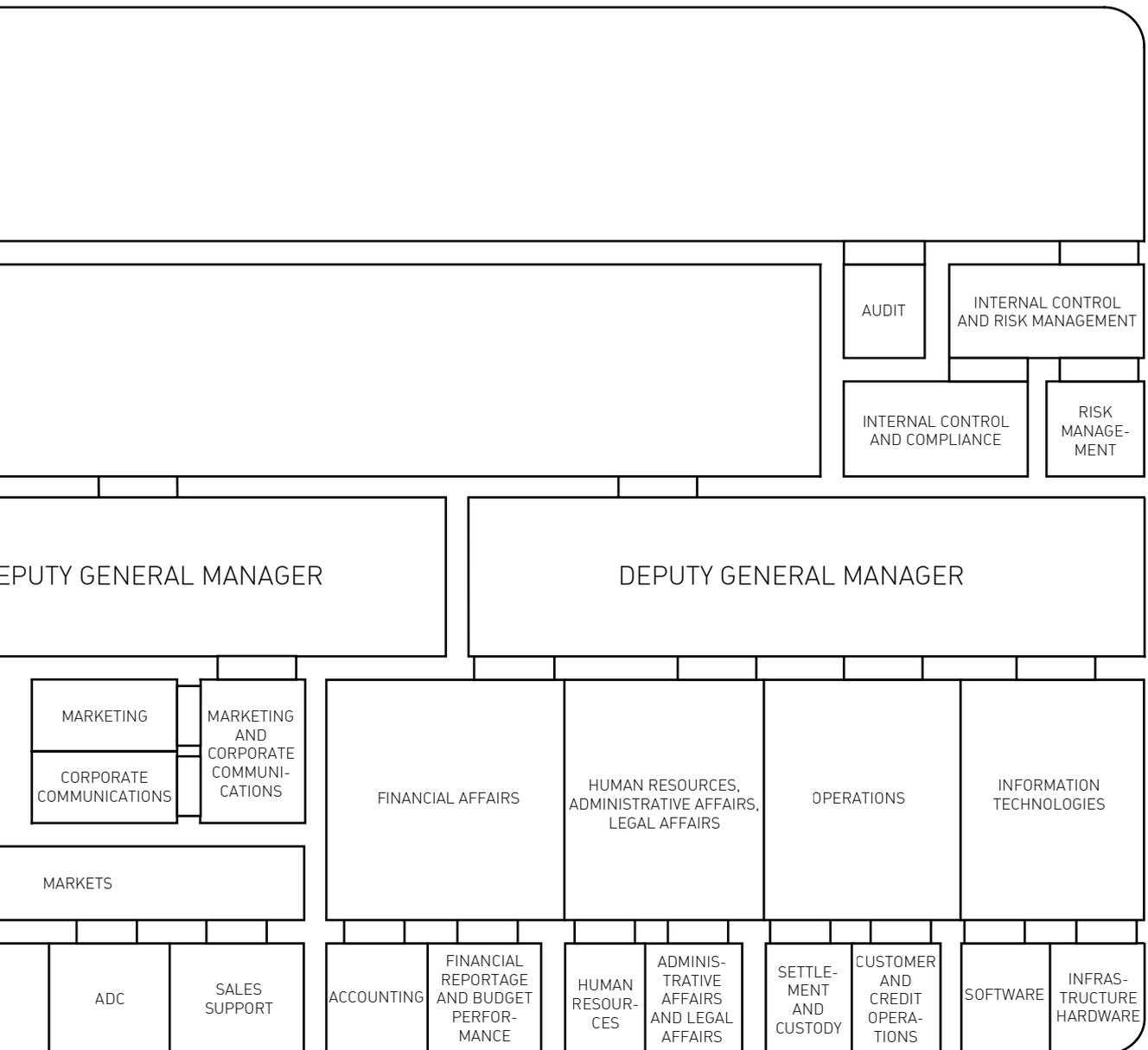
As a preferred and trusted Turkish bank in international markets since its foundation, Halkbank continuously improves its relations with foreign banks and finance institutions, with its emphasis on institutionalism, transparency, codes of conduct and uninterrupted and right communication.

Together with its affiliates and subsidiaries, Halkbank provides all financial products for needs of its customers.

Halkbank's subsidiaries include Halk Sigorta AŞ, Halk Hayat ve Emeklilik AŞ, Halk Yatırım Menkul Değerler AŞ, Halk Leasing, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halkbank A.D. Skopje, Halkbank A.D. Beograd, Halk Portföy Yönetimi AŞ, Halk Faktoring AŞ and Bileşim AŞ.

Organizational Chart





In terms of global markets, the year 2015 witnessed the questioning of when FED would be normalized and the first increase of interest rate by FED so as to normalize, of how powerful is Eurozone when Greece crisis is taken into account, the slowing down of Chinese economy and consequently the continuation of decrease in commodity prices, high volatility due to geopolitical and economic conditions in stock market and the pursuance of the downfall in oil prices due to surplus supply and worries about global growth.

The year of high volatility

The recovery in labor market in the USA continued. The unemployment rate fell down to 5%. However, we witnessed that the strong positioning in the employment market was not reflected into wages. It was also seen that the inflation rate, i.e. the determining factor in FED's monetary policy, was still far away from the targeted 2% inflation rate. The inflation rate affected negatively by falling oil and commodity prices remained low during 2015. As a result of the strong positioning in employment market contrasted with lack of the expected improvement in inflation, we had to face with high volatility. Despite the distance from targeted inflation rate and external risks, we witnessed that FED began to employ an increase in interest rate, which was supported by this strong positioning in employment market and signs of recovery in economy.

The effect of low oil prices

Eurozone shaken by debt crisis, which was doubled by its socioeconomic dimension in 2015, took some precautions to recover the period when its foundations were/got greatly distressed. In March,

in order to support real economy and provide price stability, the ECB applied the program of purchasing bonds of 1.2 trillion Euros and strived against the danger of deflation arising from the low oil prices. In 2015, whereas the economic performance of developing European nations, particularly Poland and Czech Republic, was rather positive, major EU countries, including France, Italy and Spain had still question marks about the sustainability of recovery.

The slow decrease in China continued

Chinese economy continued to slow down in 2015. Annual growth reached 6.9% and with the U.S. dollar gaining value, Central Bank of the Republic of China employed devaluations in Chinese yuan so as to protect U.S. dollar reserves. The devaluations led to sales in stock market and selling pressure on developing countries' currencies.

In short, 2015 witnessed FED's, in the name of normalization, increase in the interest rate for the first time after 9 years, rising concerns about global growth due to China, pressurized markets in developing countries, Greece-crisis-stricken Eurozone trying to relieve and the continuation of the pressure on Brent oil and commodities.

Although TRY is separated negatively from the developing countries' currencies as of the first half of 2015, it followed a parallel course with developing countries' currencies due to the de-escalation in political uncertainties. We also witnessed that the decrease in oil prices did not make the expected contribution to TRY because of geopolitical and political risks.

We monitored upside and downside movements under the influence of FED, in developed and developing countries' currencies. While we observed volatile movements in Australian dollar, a commodity currency, currencies like Canadian dollar, Norwegian kroner and Swedish kroner faced losses against USD due to declining oil prices.

While FED and crisis in Greece highly affected the euro dollar parity during the first half of the year, devaluation in China and FED's decision to increase interest rates were main influencers during the second part of the year. The demand problem caused by a deceleration of growth in China, political crises in the Middle East, announcement of lifting embargo on Iran, increase of oil production in USA were main drivers behind oil prices in 2015.

Return to traditional outlook with domestic demand at forefront

Having grown below its potential level since 2012, Turkish economy showed a similar tendency in 2015. Having being limited between 2-4% band during 2012-2014 periods, the growth rate is estimated to realize around 3.5% in 2015. We can state that there is a return to a traditional outlook of previous year's growth model, in which the domestic demand was at forefront.

Weakened global demand in general and distresses in our main export market Eurozone and the Middle East with increased geopolitical risks in particular prevented the growth model predominantly driven by net exports. Inflation goals were not achieved last year and we observed a hard decline of oil prices and a clearer recovery on external balance with help from moderate demand conditions. Strong

budget balances continued to be the most crucial support element against external volatility. On stock markets side, despite the fact that the decline of political uncertainties after the general elections generally perceived positively, recent disruption on global risk perception reflected badly on BIST side. The rapid change in the course of risk perception caused high amounts of volatility in markets during the last quarter. Tense situation between Russia and Turkey and political uncertainties at South Africa and Brazil played crucial roles on the disruption of risk perception of developing countries.

Downside pressure

When we evaluate the year 2015, we see that BIST-100 index, which had a clear negative differentiation from other developing markets, ended the year among the most depreciated markets with a 16.33% depreciation and a U.S. dollar denominated 32.96% decline. Along with political uncertainties, the increase of geopolitical concerns created a downside pressure over the index. Developed country stock markets on the other hands achieved to stay stronger compared to developing ones. In 2015 MSCI developed country index depreciated by 2.74%, developing country index on the other hand depreciated by 16.96%.

Evaluation of 2015 Activities

In 2015, Halk Invest introduced “Lease Certificates (SUKUK)”, a new product to its domestic corporate investor buying capacity.

Halk Invest increased its market penetration to level of 40% in Lease Certificates sales and retained the prestigious award of “Best Brokerage House for Islamic Bonds Turkey 2015” from Global Banking and Finance Review.

Work and System

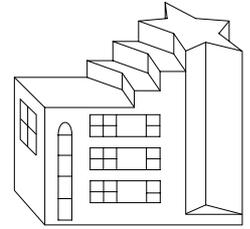
Cappadocia, one of the most globally renowned places in Turkey hosts one of the most spectacular beauties in nature, the fairy chimneys. Fairy chimneys are mainly geographical formations created by volcanic tuff, which was once located in a volcanic area and eroded, shaped by various natural events like snow and wind. They express the consistent cycle of nature with a magical visual quality.

Although the formations in this photograph have a quite resemblance with fairy chimneys, they are actually not. Formations in this photograph remind the sustainability, determination and consistency of nature. The secret behind them is a practice of archive, applied in all Halkbank branches.

In each Halkbank branch, daily receipts are being collected and separated. Each receipt is pierced from the corner before being archived. Drill is being used for piercing. And sometimes, the drill does not only pierce the soft receipt paper but the ground beneath it as well.

Here in this photograph, you see a hardwood board being used for bolstering the receipt against drill dashes.

The outcome reminds us the consequences of natural events. But all in all it seems like a symbol of work and system.



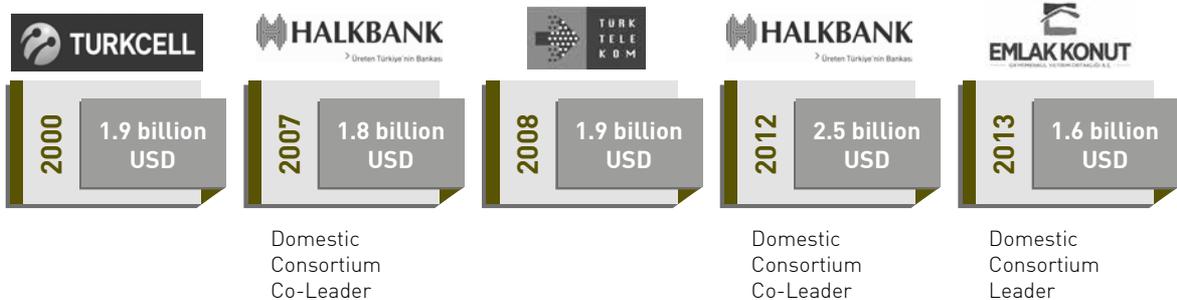
With Merger and Acquisition transactions, billion dollar public listings and other alternative finance solutions, we increase our share in investment banking operations market through Corporate Finance Unit.

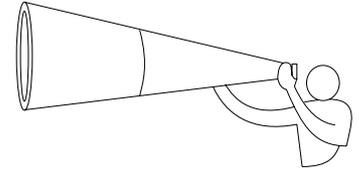
One of the most significant pieces of nature's specific chaotic and yet consistent order is the means with rare proficiencies. Just like four-leafed clover, also known as the trifolium repens. In many cultures people believe that the four-leafed clover brings luck and is a sign of hope. As clovers generally have three leaves, the odds of finding a four-leafed clover are 10,000 to one. Just like in nature, the most crucial rings in the chain of orders that build the total quality in corporations are rare proficiencies.

As a developing field with recent support of current conjuncture apart from traditional trading brokerage activities, corporate finance is a field that obliges corporations to have different proficiencies. Capital markets became the main preference for companies, which require cost effective financing and nonbank alternative resources for their investments. Halk Invest Corporate Finance and Consultancy Unit has been providing **financial consultancy** to companies

in these markets and guiding them to right tools with accurate timing and taking the role of a four leafed clover by making difference in the industry and embracing innovative approaches.

Halk Invest is among rare institutions that fulfil the four main revenue-generating functions -a resemblance of a four leafed clover- (share public listings, debt instrument issues, lease certificate issues and mergers & acquisitions within **finance consultancy**). As a significant element, which played a pivotal role for Company's road to success, Corporate Finance and Consultancy Unit increased its market share to level of 40% in Lease Certificates and retained the prestigious award of "Best Brokerage House for Islamic Bonds Turkey 2015" from Global Banking and Finance Review. With momentum of these steps Halk Invest quickly marches to a focus of **investment banking**.





Besides macroeconomic reporting, Halk Invest Research Unit creates market-centric products and strategies to address the needs of sales channel.

Struggle has a pivotal role in the relationship between mankind and nature. Water has been one of the basic platforms of this struggle throughout history. When goods were being transported to people who needed them, it was necessary to cross high seas, to overcome raging storms and to rule the waves. In darkest nights, on most grim roads, nature shows the way to mankind with its moonlight, stars and sea sparkles. Another gift of nature to mankind is natural harbour, which preserve huge amount of water and have a depth just enough for ships to anchor.

Natural harbours have been accepted as a strategic and economical asset by mankind throughout centuries and giant cities was built around these natural shelters in mankind's struggle against water. New York City in United States, Kingston in Jamaica, Pearl Harbor in Hawai, Cork in Republic of Ireland and Sinop in our country have natural harbours not already created giant economies throughout history but also remained as one of the most important gifts of nature to mankind.

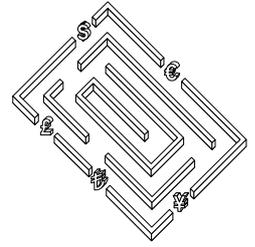
In the nature of markets, sailing among giant waves and raging storms are common. In order to allow

investors taking the most effective decision within these stormy conditions, Halk Invest Research Unit guides its clients with accurate **projections**.

Each account owner looks for a reliable harbour to serve as a shelter in tough conditions. With a product developing approach, Halk Invest Research Unit fully guides investors with a broad product portfolio, which transmits updated, accurate and on time market information to in house units and clients, provides information about macroeconomic trends, evaluates global monetary policies and their effects on markets, creates projections about the outlook of economies and financial markets, collates analyses and projections in reports.

Within segmentation practices, the Unit develops segmented products based on client profiles thanks to its "different product for different needs" approach. The Unit on the other hand, contributes to Bank's Active Passive Committee, where necessary units take decisions for bank balance management and practices are monitored with their results, with its macroeconomic **projection** and model-based **predictions**.

Leveraged Trading



Halk Invest's transaction volume in Forex increased 72% compared to last year and achieved 25.1 billion USD.

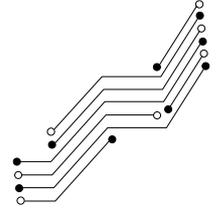
We instantly spot mathematics' marks on nature. The patterns on a tiger's fur, the symmetry of a single tiny snowflake... All of these are outcomes of a mathematical concept called 'patterns'. In their special place among patterns, fractals express ever-repeating cycles when observed in micro scale. One could see the mathematical beauty of fractals in nature on cauliflowers. Patterns on a cauliflower are aligned as Fibonacci series. The symmetry within chaos is the most concrete expression of nature's seemingly irregular but actual order.

Leveraged trading markets operate 5 days and 24 hours due to local time differences. Halk Invest allows its customers to trade in these markets with Halk Invest Leveraged Trading Unit. The system, also known as Forex transactions, refers to taking **position** with 100x of **deposit** in currency pairs

and certain precious metals. Leveraged trading markets are the biggest and the most liquidated markets in the world. The ability to survive in this field as an investor directly depends on the ability to find the order in irregularities. Just like fractals, which seem just the same but with a deeper look, reveals extremely detailed individual processes interconnected under a certain whole with an amazing mathematics.

Halk Invest's transaction volume in Forex increased 72% compared to last year and achieved 25.1 billion USD. Halk Invest allows its customers to direct their trading orders through the globally most preferred platform exclusively and free of charge from their PCs, smartphones and tablets.

Information Technologies



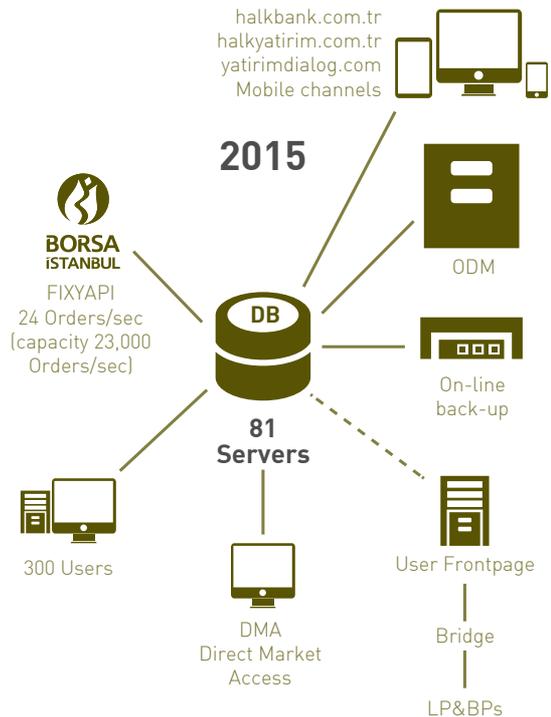
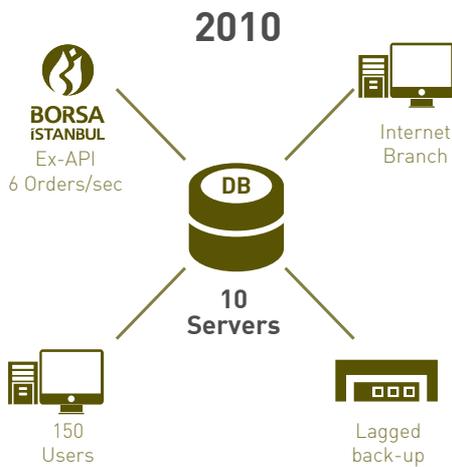
Halk Invest have reached level of 65% in transmission of trading orders. The reason behind uninterrupted and smooth offering of Halk Invest's products and services is Halk Invest Information Technologies Unit, which establishes an efficient infrastructure just like chernozem soil.

Nature produces yields on its soils tamed with care and love. Some soils however are valuable assets for the globe with their unparalleled quality. The most productive soil created by nature is chernozem. Also known as the black soil, chernozem yields the most productive results thanks to its hummus intensive ingredients. It can commonly be found in Eurasia region.

Achieving goals in business flow processes, which embraces total quality approach is based on a productive **infrastructure**, just like mother earth in nature's concept. Technological infrastructures enhanced by investments on human resources and hardware increase competitive power of companies in the world of finance, in which nano-speed and effectiveness are the main facilitators. Halk Invest have reached level of 65% in transmission of electronic trading orders.

The reason behind uninterrupted and smooth offering of Halk Invest's products and services is Halk Invest Information Technologies Unit, which establishes an efficient **infrastructure** just like chernozem soil. Back in 2010, Halk Invest was working with 10 servers and 6 orders per second speed. In 2015 Halk Invest reached a capacity of 81 servers and 23.000 transmitted orders per second. On the other hand, 3 back up units are simultaneously active at Extraordinary Situation Centre and therefore data are restored in many different sites without any losses.

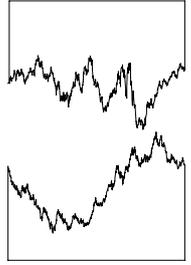
Halk Invest took its place among the best adaptor of quick transformation in Turkey where the stock market **infrastructure** is exponentially developing with technology investments.



Victoria Falls

Among falls, rare wonders of nature, there is a special one; Victoria Falls. Within the borders of Zimbabwe, this 2 kilometers wide and 130 meters high wonder is also in UNESCO World Heritage List.





Halk Invest configured its domestic sales operations on Derivatives Exchange Market where trading of derivative financial instruments take place.

When rivers flow in their beds, they may face sudden declines with all of the things they carry along. These sudden declines, instantly churns the water and lowers its level. This amazing event creates a beautiful event called falls. Among these wonders of nature, there is a special one; Victoria Falls. Within the borders of Zimbabwe, this 2 kilometers wide and 130 high wonder is also in UNESCO World Heritage List. Their majestic appearance not only creates quite a sight for eyes, they also express the outstanding outcomes in nature, derived from determination and pace.

In corporations, successful outcomes also depend on the same level of determination, hardworking and pace of sales operations. Halk Invest configured its domestic sales operations on Derivatives Exchange Market where trading of derivative financial instruments take place.

Brokerage operations, has been the basic business field that takes the biggest place in revenue items since the foundation of Istanbul Stock Exchange in 1986. Halk Invest's domestic **sales** services focus on brokering individual or corporate investors' trades in stock exchanges.

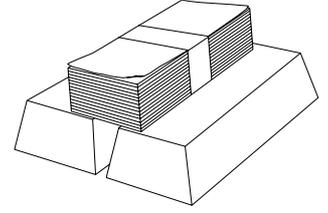
In Halk Invest, where total quality approach has been adopted, inter disciplinary work is embraced to sustain business efficiency and sustainability. In that sense, the Domestic Sales Unit guides segmented clients based on certain criteria to accurate distribution channels, in accordance with Segmentation Project, which started as a marketing project and eventually found way of intense practices in sales activities. Thanks to this approach, Halk Invest Domestic Sales Unit directs trading orders of

clients to markets with a fast and reliable method and provides clients convenient order transmission solutions.

In Turkey, where the population is relatively young, one can see that the demand from individuals to send their investment decisions through electronic devices like internet, smartphones is high. This fact becomes more accurate when characteristics of domestic investors including portfolio size and demographics are taken under consideration. Within this respect, **Alternative Distribution Channels** became a significant component that supports domestic sales, which serves as a division and a function to facilitate 85% of order transmissions to organized market through electronic platforms and receive more than 1,200 telephone calls daily.

CORPORATE SALES

Alongside mediating **sales** of corporate finance products including debt instruments and lease certificates, Domestic Sales Unit aims to fulfil certain duties as a part of **corporate sales** function including building a diversified investor profile that includes portfolio management companies-defined as current corporate client-, finance institutions, foundations, investment trusts and qualified individual clients. Thanks to its communication network with its target audience featuring qualified individual investors, foundations, associations, pension and insurance companies and portfolio management companies, Halk Invest **Corporate Sales** Department served as a high capacity bridge between fund suppliers and demanders by **selling** TRY 3.7 billion amounts of private sector bond issues and TRY 1.5 billion amounts of lease certificates (SUKUK) in 2015.



Halk Invest Treasury Unit evaluates and analyses Halk Invest's products and services and brings them to the focus of the market.

As a majestic beauty of nature, mountains are formed as a result of tectonic plate movements. Their summits serve like a panoramic projector to reveal their broad plains and meadows on their foothills. They are both the eyes and watchers of nature. Mount Kaf that inspired fairy tales, mount Elbrus that can be seen as a symbol of greatness, Himalayas and 60 million years old, Everest the highest summit in the world, Kaçkarlar and Ağrı in northern and eastern parts of Turkey... All remain the watchers of the world. You could see the most distant places when you look above the summit of mount Ağrı.

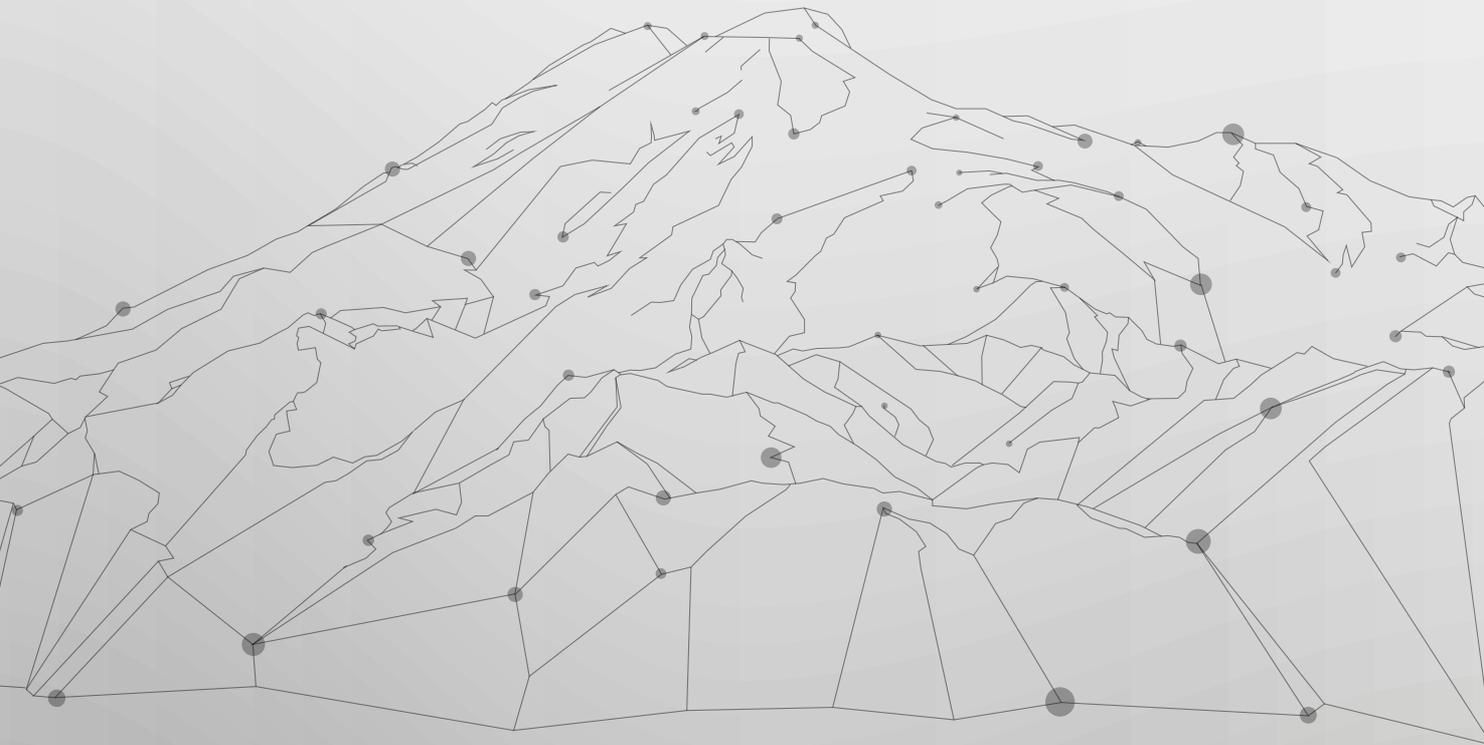
A significant outcome of Halk Invest's Total Quality approach is the committees. With its market reviews, Treasury plays an active role within the **Market Committee**, which is assigned with significant duties

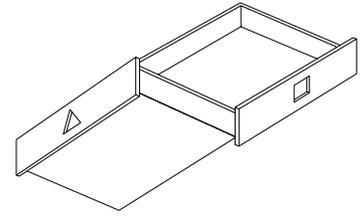
including evaluating current products, configuring new ones and designating the strategy for portfolio management services received by the company. Just like the summit of a mountain provides the broadest vantage point, Treasury analyses markets from top to bottom to find the most accurate point for the company.

The unit provides brokering for fixed income client security transactions. Treasury Unit fulfils its brokering duty intensely on behalf of security and pension funds. BIST Debt Instruments Market and TAKASBANK Money Market are among other markets that the unit operates in. The unit also provides brokering services for independent portfolio management companies' trading orders to the markets.

Mount Elbrus

As a majestic beauty of nature, mountains are formed as a result of tectonic plate movements. Their summits serve like a panoramic projector to reveal their broad plains and meadows on their foothills. They are both the eyes and watchers of nature. Just like Mount Elbrus as a symbol of greatness, which inspired Mount Kaf in fairy tales.





Main duties of Halk Invest Marketing Unit includes managing of the processes in which products and services turn into sales while building marketing strategies for sales teams and focusing on differentiating products and services with segmentation analyses.

Diversity is the greatest wealth of nature. Osa Peninsula, which is located at the small country of Costa Rica, is famous with its diversity as it hosts nearly 5% of all animal and plant species in the world despite its small surface area. 375 bird species, more than 3,000 plant species, more than 100 reptile species and around 40 freshwater fish species live in smaller than 424 square kilometers of land.

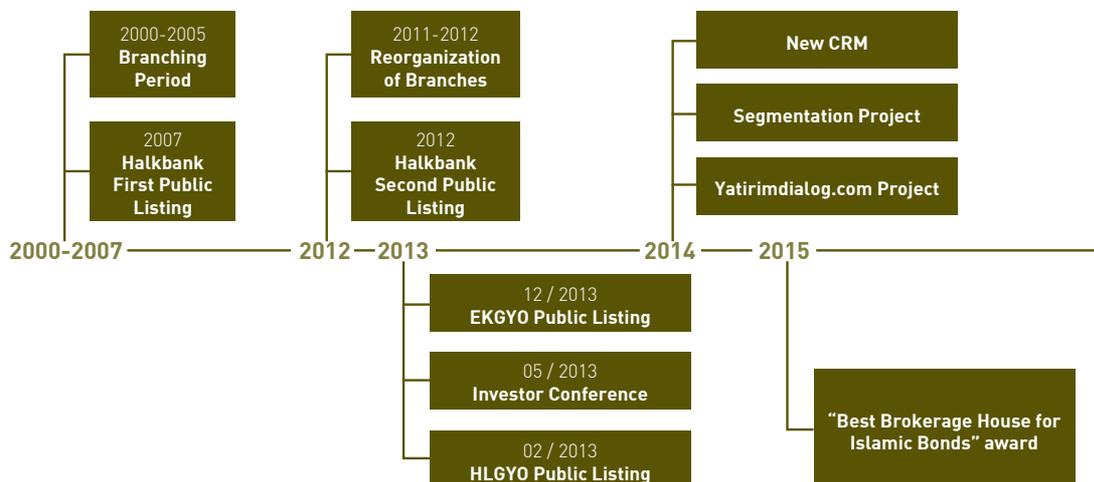
Everything in nature is segmented. Green-leafy trees, coniferous trees or herbivore and carnivore creatures...

This outstanding diversity had obliged mankind to know nature by **segmenting** it. In this context, Halk Invest does profound **segment** analyses in order to serve nearly 300,000 clients better while providing them with accurate type of products. This has been one of the key reasons behind the foundation of **Segmentation Committee**. The unit compiles profile groups that are expected to react to certain

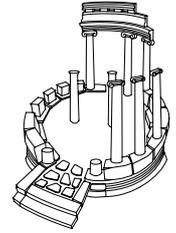
marketing messages and turns segmentation outcomes into actual cases in each and every field of activities.

In 2015, Halk Invest Marketing Unit conducted projects in three focus points including CRM (Customer Relations Management), Segmentation and Performance Measurement and Evaluation System while contributing processes comprised of establishing database, offering products and services to correct client segment and sustaining team success in sales within the framework of knowing the client better rule.

The basis of CRM relies on collating the maximum and the most detailed amount of information about the clients. The project allowed Halk Invest to know its clients better. Thanks to this project a broad client database was established and client oriented marketing **strategies** are being developed.



Corporate Communications



The main duties of Corporate Communications Unit include keeping all communication channels open with public, fulfilling and executing services and corporate representation under pre-determined rules and standards and developing corporate social responsibility projects aligned with the company's vision.

Streams are among the pivotal forces that affect the way of how nature works. A certain stream that spreads through all of Atlantic Ocean not only leaves its effects in three continents but also creates a path for species. This stream is also the driving power of natural events which we call seasons. The stream is called Gulf Stream. It carries a message sent in a bottle from a deserted island to its address with 4 knots speed. With a pivotal role in nature, Gulf Stream sets up an example to exhibit the power of communication in nature.

With its broadest definition, communication is the exchange of emotions, information and behaviours between people. In corporate life, interpersonal sharing of emotions, information, data and behaviours under certain standards, which are derived from the sets of certain rules define corporate representation, communication and identity.

Communication in nature is powered by the coordination of countless natural factors. Each factor supports one another and every creature exists for one another. Team spirit is a part of nature and nature is a coordinated whole. No system can be as perfect as nature.

Halk Invest Corporate Communications Unit adopted a sectoral innovation in terms of creating annual reports, renewing, and exercising and managing corporate identity components. The corporate materials of the company were standardised while corporate messages were transmitted to public and Halk Invest clients and its stakeholders in finance industry at the right time and with right frequency.

The "Investor Conferences", a platform in which economic assessments based on domestic and international macroeconomic data are discussed, are coordinated by Corporate Communications and Research Units. The sixth Investor Conference was held successfully in 2015.

CORPORATE COMMUNICATIONS

Corporate Identity Guideline

Investor Conferences

Unit Logo Visuals

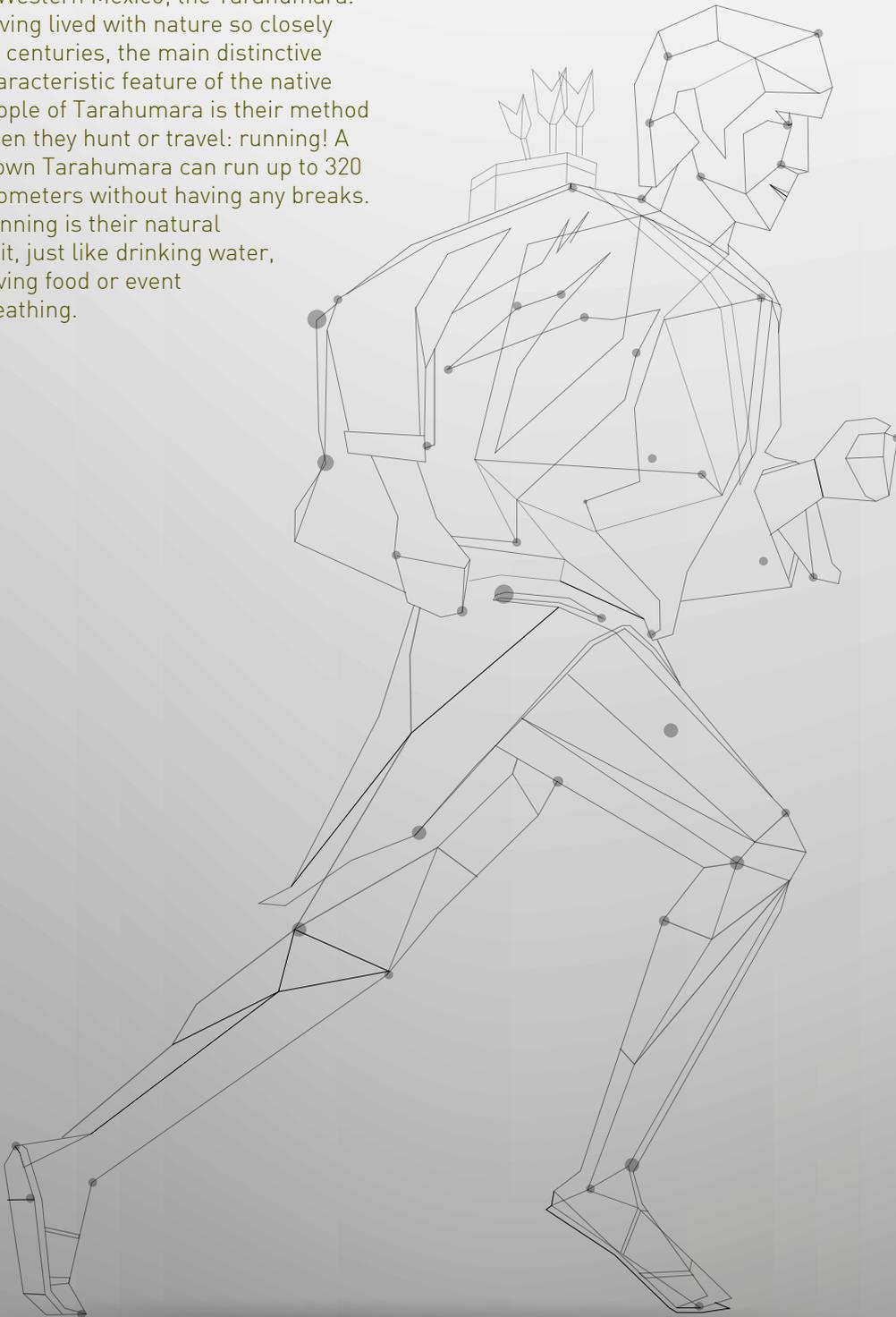
Concept Annual Reports

Corporate Communication Standards

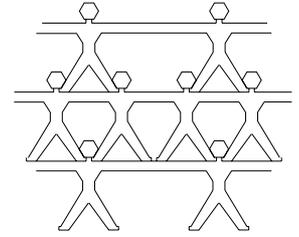
Branch Locations Design Compliant with Corporate Vision

Tarahumara

A great example of nature-mankind harmony would be the indigenous people of Western Mexico; the Tarahumara. Having lived with nature so closely for centuries, the main distinctive characteristic feature of the native people of Tarahumara is their method when they hunt or travel: running! A grown Tarahumara can run up to 320 kilometers without having any breaks. Running is their natural trait, just like drinking water, having food or even breathing.



Human Resources



Human Resources approach at Halk Invest is a process management structure that focuses on the development of employee efficiency and improves the total quality.

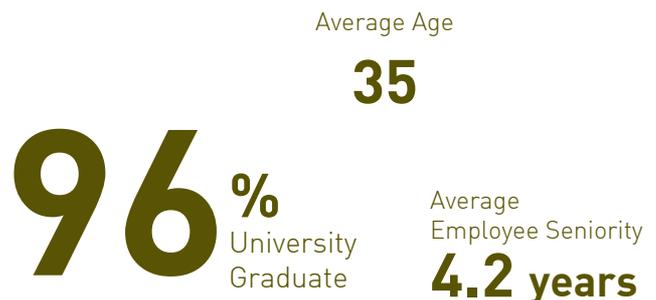
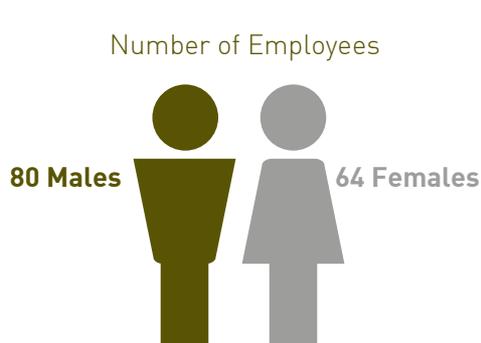
A great example of nature-mankind harmony would be the indigenous people of Western Mexico; the Tarahumara. Having lived with nature so closely for centuries, the main distinctive characteristic feature of the native people of Tarahumara is their method when they hunt or travel: running! A grown Tarahumara can run up to 320 kilometres without having any breaks. Running is their natural trait, just like drinking water, having food or event breathing. This culture inherited from generation to generation is a result of nature that they live in. Any born Tarahumaran adopts this lifestyle from young ages and eventually becomes capable of running unbelievably long distances.

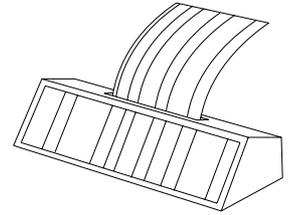
People of Tarahumara do not look for ability elsewhere. To them, the ability is their faith in them and it resides in any Tarahumaran personality. No matter how the systems are important within any certain institution, human is the main driver of systems and eventually that allows any institution run. At Halk Invest, human resource, as the most important element of total quality management refers to a whole of **training** efforts focusing on individual and team **efficiency**. Within this respect the **Training committee**, a platform that represents all elements of the company has been established.

Personal development must support the team spirit. It should evolve from the sensation of "I can do it" to the goal of "We can do it" as a corporate culture. Being a good team is a holistic approach and requires not only hard work but also sustainability. While supporting personal development, Halk Invest Human Resources Unit focuses on next generation employees to make them embrace a corporate culture, in which the importance of teamwork and success depends on hard work and sustainability.

In a finance world in which the main focus is on entirely quantitative goals the achievements are only measured with numbers. In Halk Invest's performance measurement approach, the criteria are based on team-based achievement instead of personal goals. Just like nature aims perfection within itself, Halk Invest Human Resources Unit aims employee happiness and engagement. In this context the human resources policy is being improved and enhanced.

The average seniority of the staff is 4.2 years. The average age of employees is 35. Based on the level of education, the 96% of the staff received higher education. 64 of employees are female and 80 of them are male.





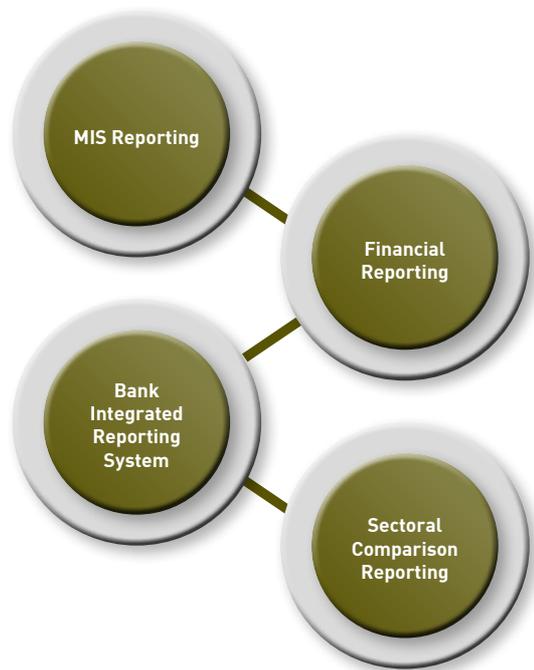
Halk Invest Financial Affairs Unit prepares the financial reports of the company while keeping and managing balances.

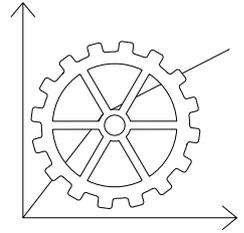
All living creatures in nature need light to survive. Some plants lean on the direction of sun to get fed and sustain their growth. The most known plant that belongs to this phenomenon is Helianthus, commonly known as the sunflower, which often be found in our Thrace region. While we know it with the way it turns to sunlight, sunflowers show us a glimpse of how nature works. One can find the "numbers of nature" in them.

When observed closely, one could see that the seeds that reside in its tip form fractals. Fractals that are clockwise and counter-clockwise are also perfect examples of "golden ratio" in nature. Just like systematically aligned numbers in nature and in mathematics, completing each other and forming a systemic harmony are key elements of total quality management approach.

As a part of a whole, Halk Invest Financial Affairs Unit collates different lines of work and operating results with quantitative data and presents their conformity compliant with **financial reporting** techniques. With its works around **accountancy** and **financial reportage**, the unit fulfils the coordination of company with external auditing. As the unit that shapes and manages balances, the unit carries various responsibilities including filing legal reports designated by regulations, communicating with auditing and regulating authorities.

Financial Affairs Unit contributes to total quality management approach. With an ever improving workforce in terms of quality and quantity, the unit reached a level which enables it to make any kind of domestic and foreign based reportage.





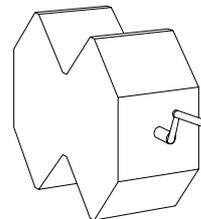
Halk Invest Operations Unit looks out for continuity of operations in financial activities to make the flow perfect.

Consistency is a fundamental notion that lies within the way that nature talks, works and expresses its cycle. Rivers are great examples that show how nature sets its principles as to consistently renew itself, encourages its ecosystems to adjust new conditions and never sacrifice its sustainability. These watercourses fed by rains and springs not only nourish agricultural productivity and transportation conditions in any region but also have the ability to transform geographical characteristics altogether. Atrato River in Colombia is widely accepted as the fastest flowing river in the world not because it is the fastest one but it has equal and consistent flow rate in every region that it passes. Within this respect Atrato River have the characteristics of a visual feast, which depicts the sustainability in nature.

In total quality approach, each component helps reducing process problems to minimum level by contributing to business flow in every aspect. When a marketing event turns into actual sale, it should be

supported by **operational quality**. So that the client satisfaction can be achieved and client loyalty can be sustained in based on **sustainability**.

Operations Unit sustains **operation flow** while taking preliminary action prior to transition for accountancy standards. Formed under two divisions as Settlement and Custody; and Customer and Credit Operations, the Operations Unit helps accomplishing business flows in many fields including investor account openings, carrying out market obligations on behalf of Halk Invest and carrying out operational transactions for portfolio management companies. The unit also controls processes including pricing evaluations of investment funds, distributing realized IPOs and giving operational support to Halkbank branches. By force of General Custody Identity rule determined by CMB, Halk Invest Operations Unit monitors Convenience and Legitimacy Tests. In that sense, the unit carries out a marketing action.



As a result of renewed CMB regulations, investment institutions are now able to carry out client orders on capital market instruments as counterparties.

The fascinating story of California pine –also known as the Sequoia Sempervirens- is a remarkable surprise of nature. The California Pine is so tall that it can exceed 110 meters. With an average lifespan of 500 to 600 years, this tree can live up to 2,000 years. While many people may think that a 110 meters high tree must have truly deep roots, yet the California pine remains as an exception. What make them special are not their roots that deepen within the soil. Their roots expand horizontally within the soil. They leave, merge and even intertwine. They express an outstanding cooperation and fraternity. As a result they remain resistant against the highest winds and floods.

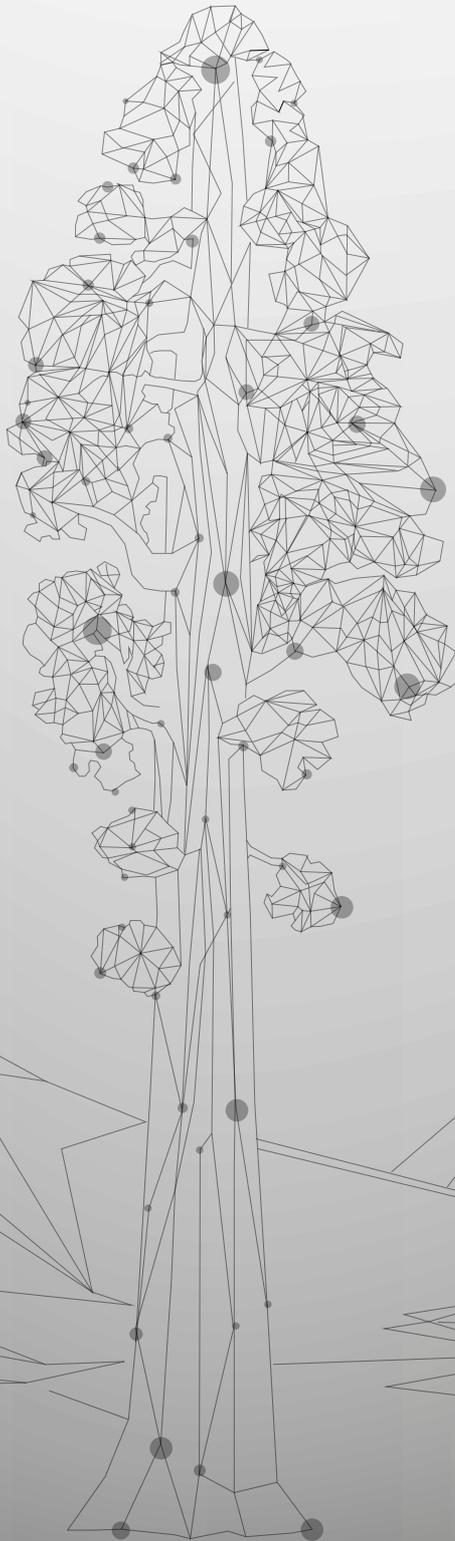
Collaboration culture is especially significant at Halk Invest's Portfolio Management Unit. Just like California pines' horizontal spreading method, the

unit's components intertwine by their roots and carry out its operations in cooperation with other units of the company. The main functions of the unit include traditional products dominant in the industry, offering derivative products defined as financial instruments and the aim to admit them into traditional investment portfolio.

Configured financial products are comprised of varied basic investment elements, which are aimed to address the requirements of a certain investor base and to establish a risk-revenue profile. Therefore, the notion of risk has a pivotal role in unit's activities. Within the scope of its field of activities, the unit provides added value to the industry by evaluating risks based on risk management policies and contributing the development of risk management programmes.

California Pine

The fascinating story of California pine –also known as the Sequoia Sempervirens- is a remarkable surprise of nature. The California Pine is so tall that it can exceed 110 meters. With an average lifespan of 500 to 600 years, this tree can live up to 2,000 years. They leave, merge and even intertwine. They express an outstanding cooperation and fraternity. As a result they remain resistant against the highest winds and floods.



Internal Control and Risk Management

In its broadest definition, Internal Control and Risk Management assures that all activities of the company are compliant with legal obligations and regulations.

Flowers are among the most charming creatures in nature with their diversity, colour and fragrance. But there is a particular type of flower in nature, which is able to form a whole flower bouquet with its own variety. Gorteria Diffusa, also known as South African daisy may appear as one of its 11 to 14 different versions. Usually identified with its yellow round notched red or peach coloured characteristics, the South African daisy represents the adaptation power of nature with one of the richest examples.

Internal control activities within institutions are main issues that audit risks and compliance. Internal Control and Risk Management Unit holds internal control activities within the scope of CMB regulations. The unit operates in different fields such as improving business flow processes of all units, assuring that all activities are held in compliance with CMB regulations. One other basic principle of the unit is to project the size of risks for the

company. Within the scope of total quality approach, the unit carries out its duties and responsibilities of auditing continuously or periodically by assuring that each and every unit and staff member of Halk Invest family to work in phase with legal obligations.

Having embraced a new functionality within its mission due to recent CMB regulations, the Risk Management Unit is re-planned to focus on its goals through correct aspects. With its freshened mission, the unit's goals will include tracking the portfolio brokerage transactions based on their compliancy with Halk Invest's management strategies, risk preferences and portfolio limitations; tracking approved risk limitations and risk exposure of portfolios in an orderly manner; establishing and running a risk management system which will measure and control risks; enabling warnings to prevent factors potentially to pose risks and taking necessary measures.

Corporate Social Responsibilities

Halk Invest Memorial Forest

In compliance with its adopted responsible business model, Halk Invest spreads its corporate social responsibilities through selective fields while conducting projects both compliant with its activities and contributing to environmental sustainability. Within this sense and cooperation with Ministry of Forestry and Water Affairs General

Directorate of Forestry, Halk Invest established the Halk Invest Memorial Forest with 2,000 dibbled trees.

Our Memorial Forest continues to grow sustainably with saplings dibbled after the birth of each of our employees' children and with electronic card deliveries for our national and religious holidays.



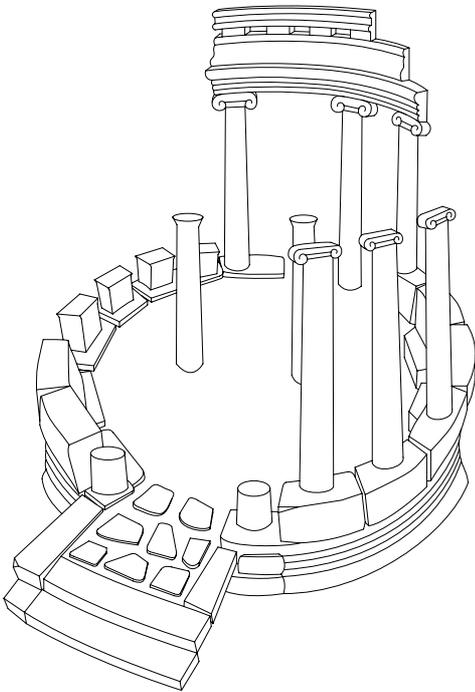
Aizanoi Ancient City

On one hand Halk Invest aims to be a pioneer on all of its activities, but on the other hand it shapes sincere efforts for the favour of public through its corporate social responsibilities. One of the concrete examples of these efforts is the support for excavations of Aizanoi ancient city, which is widely accepted as the home of the first stock exchange in history, founded hundreds of years ago in Çavdarhisar Kütahya. Dated back to 200 AD, this ancient city also features Turkish-Islamic Era rural architecture characteristics within the layers of its soil. Households of the region that hosts Çavdarhisar residents in Aizanoi continue to preserve their history and lifestyle in present time.

In current excavations, ethnographical materials are being revealed to become a legacy for next

generations while being registered and exhibited. Some of these materials are being stored for further examinations.

First discovered in 1824, Aizanoi Ancient City started to be excavated a hundred years from its discovery, in 1926. Aizanoi Ancient City's excavations still continue under the supervision of Head of Pamukkale University Classical Archaeology Department. On April 2012, Aizanoi Ancient City took its place in UNESCO World Heritage Candidacy List with 5724 reference number.



Aizanoi

(Çavdarhisar-Kütahya)
Turkey

Date of Submission:

13/04/2012

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

UNESCO

Diyarbakır Yıllarca Halkbank Şehit Haşim Türkoğlu Junior High School

Within the sense of its corporate social responsibilities and the purpose of supporting education, Halk Invest provided financial and in-kind aid to Halkbank Şehit Haşim Türkoğlu Junior High School located in Diyarbakır's Çınar district, Yıllarca Village.

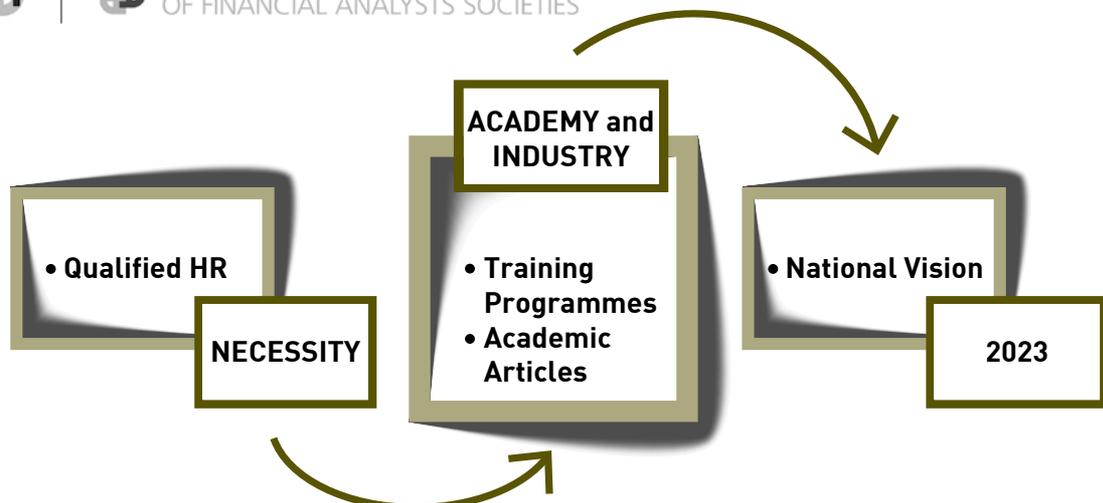
This picture was painted by Mahsum Öktem, student at class 6B, Diyarbakır Yıllarca Halkbank Şehit Haşim Türkoğlu Junior High School.



This picture was painted by Mahsum Öktem, student at class 6B, Diyarbakır Yıllarca Halkbank Şehit Haşim Türkoğlu Junior High School.

Academy/ Industry Cooperation

In 2016, The European Federation of Financial Analysts Societies (EFFAS) Board assembled in Turkey for the first time by the invitation of Capital Markets Professionals (SPP) to discuss cooperation topics. Halk Invest is a corporate member of Capital Markets Professionals (EFFAS Turkey).



**Compliance with the
Principles of Corporate
Governance**

COMPLIANCE WITH THE PRINCIPLES OF CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

The Company is not listed. Within the framework of its responsibility, the Company undertakes compliance activities devised within the context of Corporate Governance Communiqué published in the Official Gazette No: 28871 dated 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 of the Company's accounts and financial structures in Shareholders General Assembly meetings, information is also provided by the Company's Financial Operations and Reporting Unit in interim periods in the 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

2014 Annual General Meeting was held on 16th of March 2014, 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). At the meeting, it was decided that the amount of dividend to be paid to company personnel which was allocated to be

supplied by dividend cover account in 2014 statement and 2014 profit; not to pay the TRY 18,000,000 (comprised of TRY 15,569,075.51 which was the 1st and 2nd Dividend amount allocated for shareholders; TRY 2,083,589.50 as return on sale exemption fund under Corporate Tax Law 5/e and TRY 347,334.99 as second distribution legal backup accounts from the previous years) and instead use the amount for capital increase and to increase the Company capital from TRY 64,000,000 to TRY 82,000,000.

5. VOTING RIGHTS AND MINORITY RIGHTS

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

6. DIVIDEND POLICY AND DIVIDEND TIME

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

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

a-First, 5% of the profit is set aside as a primary legal reserve and financial liabilities incumbent on the Company are deducted.

b-From the remainder, 5% of the paid-in capital is set aside as a First Dividend.

c-Contingent on being accepted in the Annual General Meeting and on the condition that the amount and ratio are stated in the Annual General Meeting; dividend may be distributed to members of the Board of Directors and Company Personnel,

provided that the amount does not exceed a multiple of 3 times their gross monthly income.

d-The remaining amount is calculated and distributed in accordance with the decisions taken in the Annual General Meeting.

e-The provisions of Paragraph 2, Sub-clause C of Article 519 of the Turkish Commercial Code are reserved.

7. TRANSFER OF SHARES

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

SECTION II-PUBLIC DISCLOSURE AND TRANSPARENCY

8. COMPANY DISCLOSURE POLICY

The Company shares its financial and managerial information on its website. In addition, the information is also published on TSPB (Turkish Capital Markets Association) website through the Public Disclosure Form.

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

The Central Registry System shares financial and administrative information through the e-company platform with a system which allows content on the companies' own pages, which will be published in the website in accordance with Article 1524 of the Turkish Commercial Code, to be uploaded in the

e-company portal with a secure electronic signature and time stamp, which ensures that such content is stored on a safe platform, ensures that content is ready to access, that content can be archived safely, and ensuring that information is accessible from a single point.

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

9. DISCLOSURE OF MATERIAL EVENTS

None.

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.

	halkyatirim. com.tr	yatirimdialog. com	halkbank. com.tr	halkmobile	halkfx	FX Platform Meta Trader Mobile
				ios-andro- id-wih		
Market Data	√	√	√	√	√	√
Research Reports	√	√	√		√	
Our Financial Tables	√				√	
About Us	√				√	
Emergency Plan	√	√			√	
Portfolio Status	√	√	√	√		√
Common Stock Trade	√	√	√	√		
VIOP Trade	√	√	√	√		
Investment Fund Trade	√		√		√	
FX Trade						√

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

Within the scope of our company's needs and in order to fulfil the goal of developing software based on performance, business sustainability and security criteria, 190 m2 office space was rented within Yıldız Technical University Davutpaşa Teknopark campus to host Halkbank IT units. The facility was launched on November 2015. Primarily the employment of a software development and analysis team featuring 10 people is planned. The recruitment process is still on. Personnel to be employed in this unit will be able to benefit from tax advantages under Teknopark regulations. By being in Teknopark, Halkbank IT units will be able to benefit from the synergy to be generated with other technology companies and university departments.

11. DISCLOSURE OF THE ULTIMATE CONTROLLING SHAREHOLDER(S)

The Company's shareholders are legal entities.

12. PUBLIC DISCLOSURE OF INSIDERS

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

SECTION III-STAKEHOLDERS

13. INFORMING THE STAKEHOLDERS

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

14. STAKEHOLDERS' PARTICIPATION IN MANAGEMENT

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

15. HUMAN RESOURCES AND REMUNERATION POLICY

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

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

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

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

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

The training policy is designed to give employees in every title category the opportunity to attend training

and workshop programs held in and/or out of Turkey, in an effort to ensure personal and professional development, taking career planning and the required qualifications into consideration.

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

16. ORGANIZATION CHART

The organization chart is provided on page 16 and page 17.

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.

In 2015 the Company launched its new finance portal www.yatirimdialog.com and commenced the "Segmentation Project" within the scope of client oriented marketing strategies using in-house resources. With this project, which aims to segment clients by utilizing various criteria, we aimed to differentiate our products and services to match needs of clients in different segments.

With the goal to become the reference point of Halk group in capital markets, Halk Invest organizes Investor Conferences for Halkbank Commercial and Corporate Branch customers, the Bank's SME customers and large scale individual investors to discuss Turkish and global economy and predictions

within the context of main themes related to global economy and interior equilibrium. In 2015 the 6th Investor Conference was conveyed at the end of the year. Having targeted to gain new customers particularly in corporate finance segment, the conference also contributed the publicity of the company.

Another activity of the company to present the services and products of the company as well as to create synergy between Halkbank and Halk Invest is regular trainings. Trainings for Halkbank personnel still continue.

17. 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 is accepted as the world's first stock market. We provide financial aid to Aizanoi excavations since 2013, with permission from the Ministry of Culture and Tourism, as we have committed to fulfil our corporate social responsibility parallel to our field of activity.

SECTION IV- BOARD OF DIRECTORS

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

1- Murat UYSAL	Chairman
2- Selahattin SÜLEYMANOĞLU	Deputy Chairman
3- Murat ÇETİNKAYA	Board Member / General Manager
4- Kadir YAYLAK	Board Member
5- Serdar SÜRER	Board Member
6- Ayşegül SAYIN	Board Member
7- Dursun Ali ALEV	Board Member
8- Hilali YILDIRIM	Board Member
9- Vahdet BÜYÜKER	Board Member

In 2015, Halk Invest conducted another corporate social responsibility project compliant with its field of activity. With goals to improve financial literacy and provide better education for our children and also to contribute "Financial Literacy Action Plan", which has been promoted under 25 Priority Transition Programme, we provided financial and in-kind aid to Halkbank Şehit Haşim Türkoğlu Junior High School located in Diyarbakır's Çınar district, Yıllarca Village (bearing the name of our Bank since 1997).

In compliance with its adopted responsible business model, Halk Invest spreads its corporate social responsibilities through selective fields while conducting projects both compliant with its activities and contributing to environmental sustainability. Within this sense and cooperation with Ministry of Forestry and Water Affairs General Directorate of Forestry, Halk Invest established the Halk Invest Memorial Forest with 2,000 dibbled trees.

19. QUALIFICATIONS OF BOARD MEMBERS

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

20. MISSION, VISION AND STRATEGIC OBJECTIVES OF THE COMPANY

The Board of Directors 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.

21. RISK MANAGEMENT AND INTERNAL AUDIT SYSTEM

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

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

22. DUTIES AND RESPONSIBILITIES OF BOARD OF DIRECTORS AND MANAGERS

In Article 10 titled Duties and Responsibilities of Board of Directors in the Company’s Article of

Association:

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

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

The Board of Directors is authorized to transfer management completely or partially with an internal circular it prepares. The Board of Directors

is required to hold the representation power of at least one board member when it transfers the representation power to one, or more than one, executive member or third party as managers.

23. ACTIVITY PRINCIPLES OF BOARD OF DIRECTORS

The Board of Directors meets monthly or in interim periods when necessary, and evaluates the extent that the Company has reached its objectives, while evaluating its activities and past performance. The agenda of the Board of Directors is created within the context of proposal offered by the Company management. The Board of Directors took 91 decisions in 01/01/2015 – 31/12/2015 activity period. None of these decisions received any dissenting views since Board Members were informed in advanced.

24. PROHIBITION OF MAKING TRANSACTIONS WITH THE COMPANY AND COMPETITORS

In the 2015 activity period, the prohibition of making transactions with the Company and competitors was applied to the board members.

25. CODES OF CONDUCT

Codes of Conduct are applied in the Company.

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

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

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

Monthly attendance fee is paid to the Board Members with the approval of the General Assembly. Total amount of financial benefits, cash benefits and benefits in kind, dividend and similar warrants (salary, attendance fee, private health Insurance premium, private life Insurance premium, Individual annuity contribution, employer's share of social security, employer's share of unemployment Insurance) are TRY 2,081,116.00.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Financial Statements and Independent Auditors' Report For the Year Ended 31 December 2015

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Independent Auditors' Report



Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik AŞ
Kavacık Rüzgarlı Bahçe Mahallesi Kavak
Sokak No:3 Beykoz 34805 İstanbul
Telefon: (0216) 681 9000 Fax: (0216) 681 9090
www.kpmg.com.tr

Convenience Translation of the Independent Auditors' Report as at 31 December 2015 Originally prepared and issued in Turkish (Note 2.1.1)

To the Board of Directors of Halk Yatırım Menkul Değerler Anonim Şirketi

We have audited the statement of financial position of Halk Yatırım Menkul Değerler Anonim Şirketi (the "Company") as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Turkish Accounting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Halk Yatırım Menkul Değerler Anonim Şirketi as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the accounting principles and standards in force as per the insurance legislation.

Report on Other Legal and Regulatory Requirements

1. Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2015, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
2. Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ
A member of KPMG International Cooperative



Alper Güvenç, SMMM
Partner

24 February 2016
Istanbul, Turkey

Additional Paragraph for Convenience Translation to English

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

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HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Statement of Financial Position
(Balance Sheet) as at 31 December 2015

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

	<i>Notes</i>	Audited	Audited
		31 December 2015	31 December 2014
ASSETS			
Current assets			
Cash and cash equivalents	3	67.467.710	91.962.025
Financial investments	4	50.136.120	46.940.220
Trade receivables	5	51.549.714	323.680.103
- Trade receivables from related parties	23	31.424	86.957
- Other trade receivables	5	51.518.290	323.593.146
Other receivables	8	1.332.167	731.026
Prepaid expenses	10	837.367	299.733
Current tax assets	21	--	1.158.561
TOTAL CURRENT ASSETS		171.323.078	464.771.668
Non-current assets			
Financial investments	4	1.242.437	1.215.006
Investments in equity accounted investees	9	3.297.567	2.163.007
Tangible assets (net)	11	1.690.312	1.515.391
Intangible assets (net)	12	384.011	455.932
Other long-term assets	7	64.696	--
TOTAL NON CURRENT ASSETS		6.679.023	5.349.336
TOTAL ASSETS		178.002.101	470.121.004
LIABILITIES			
Current liabilities			
Financial liabilities	6	19.926.290	56.073.362
Trade payables	5	48.326.100	318.692.869
- Trade payables to related parties	23	1.110	23.649
- Other trade payables	5	48.324.990	318.669.220
Other payables	8	999.289	870.538
Current tax assets	21	203.857	--
Deferred tax liabilities	21	1.683.539	2.258.906
Short term provisions		3.170.511	2.156.490
-Employee benefits	14	2.132.604	1.722.487
-Provisions	13	1.037.907	434.003
TOTAL CURRENT LIABILITIES		74.309.586	380.052.165
Non-current liabilities			
Long term provisions		845.118	335.585
- Employee benefits	14	845.118	335.585
TOTAL NON CURRENT LIABILITIES		845.118	335.585
Equity			
Share capital	15	82.000.000	64.000.000
Restricted reserves		9.324.969	6.282.386
Accumulated other comprehensive income that are or may be reclassified to profit or loss		211.285	310.442
- Foreign currency translation differences		--	23.010
- Fair value reserves		211.285	287.432
Accumulated other comprehensive income that will never be reclassified to profit or loss		(589.042)	(210.797)
- Other gains/(losses)		(589.042)	(210.797)
Accumulated gains / (losses)		(1.691.360)	143.307
Profit for the year		13.591.545	19.207.916
TOTAL EQUITY		102.847.397	89.733.254
TOTAL EQUITY AND LIABILITIES		178.002.101	470.121.004

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2015

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

		Audited	Audited
	Notes	1 January – 31 December 2015	1 January – 31 December 2014
Sales revenue	16	434.686.843	398.461.517
Cost of sales	16	(395.347.153)	(367.672.589)
GROSS PROFIT		39.339.690	30.788.928
General administrative expenses	17	(24.755.625)	(21.426.057)
Marketing expenses	17	(7.290.479)	(5.275.353)
Other operating income (from operating activities)	19	2.584.631	1.557.100
Other operating expenses (from operating activities)	19	(969.513)	(168.377)
OPERATING PROFIT		8.908.704	5.476.241
Investment income		--	3.669.625
Share of profit/(expense) of equity accounted investees	9	1.134.560	581.918
OPERATING PROFIT BEFORE FINANCE COSTS		10.043.264	9.727.784
Finance income	20	23.381.982	38.079.526
Finance costs	20	(17.433.386)	(24.451.720)
PROFIT BEFORE TAXATION		15.991.860	23.355.590
Tax expense			
- Current income tax expense	21	(2.975.682)	(2.083.647)
- Deferred tax income/(expense)	21	575.367	(2.064.027)
PROFIT FOR THE YEAR		13.591.545	19.207.916
OTHER COMPREHENSIVE INCOME			
Other comprehensive income:			
Items that are or may be reclassified to profit or loss			
Change in fair value of available for sale financial assets		(76.147)	(3.417.272)
Foreign currency translation differences		(23.010)	23.010
Items that will never be reclassified to profit or loss			
Other gains/(losses)		(472.806)	(270.565)
Deferred tax benefit/charge for items never be reclassified to profit or loss		94.561	54.113
TOTAL COMPREHENSIVE INCOME		13.114.143	15.597.202

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Statement of Changes in Equity
For The Year Ended 31 December 2015

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

			Items that are or may be reclassified to profit or loss	
	Note	Paid-in capital	Foreign currency translation differences	Fair value reserve
1 January 2014		55.000.000	--	3.704.704
Transfers		--	--	--
Profit for the year		--	--	--
Other comprehensive income		--	23.010	(3.417.272)
- Remeasurement of reserve for employee benefits' gain/(loss)	15	--	--	--
- Change in fair value of available for sale financial assets, net	15	--	--	(3.417.272)
- Foreign currency translation differences		--	23.010	--
Total comprehensive income		--	23.010	(3.417.272)
Capital increase	15	9.000.000	--	--
Balance at 31 December 2014		64.000.000	23.010	287.432
1 January 2015		64.000.000	23.010	287.432
Transfers		--	--	--
Profit for the year		--	--	--
Other comprehensive income		--	(23.010)	(76.147)
- Remeasurement of reserve for employee benefits' gain/(loss)	15	--	--	--
- Change in fair value of available for sale financial assets, net	15	--	--	76.147
- Foreign currency translation differences		--	(23.010)	--
Total comprehensive income		--	(23.010)	(76.147)
Capital increase	15	18.000.000	--	--
Balance at 31 December 2015		82.000.000	--	211.285

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

Items that will never be reclassified to profit or loss	Retained Earnings				
Other gains/ (losses)	Restricted reserves	Accumulated gains / (losses)	Profit for the year	Equity	
5.655	5.725.924	1.015.239	8.684.530	74.136.052	
--	556.462	8.128.068	(8.684.530)	--	
--	---	--	19.207.916	19.207.916	
(216.452)	--	--	--	(3.610.714)	
<i>(216.452)</i>	--	--	--	<i>(216.452)</i>	
--	--	--	--	<i>(3.417.272)</i>	
--	--	--	--	<i>23.010</i>	
(216.452)	--	--	19.207.916	15.597.202	
--	--	(9.000.000)	--	--	
(210.797)	6.282.386	143.307	19.207.916	89.733.254	
(210.797)	6.282.386	143.307	19.207.916	89.733.254	
--	3.042.583	16.165.333	(19.207.916)	--	
--	--	--	13.591.545	13.591.545	
(378.245)	--	--	--	(477.402)	
<i>(378.245)</i>	--	--	--	<i>(378.245)</i>	
--	--	--	--	<i>(76.147)</i>	
--	--	--	--	<i>(23.010)</i>	
(378.245)	--	--	13.591.545	13.114.143	
--	--	(18.000.000)	--	--	
(589.042)	9.324.969	(1.691.360)	13.591.545	102.847.397	

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Statement of Cash Flows
For the Year Ended 31 December 2015

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

		Audited	Audited
	<i>Notes</i>	1 January – 31 December 2015	1 January – 31 December 2014
A. Cash flows from operating activities		29.964.583	56.528.068
Profit for the year		13.591.545	19.207.916
Adjustments for:			
Depreciation and amortisation	17	919.696	1.102.762
Adjustments related to provisions		2.504.823	1.421.703
- Adjustments for provision expense for doubtful receivables	5	181.632	46.981
- Adjustments for provision expense for severance pay liability	14	149.520	89.779
- Adjustments for provision for unused vacations	14	169.767	152.858
- Adjustments for provision for personnel dividend premium	14	1.400.000	1.120.000
- Adjustments for other provisions	13	603.904	12.085
Adjustments related to tax expense		2.400.315	4.147.674
- Adjustments for income tax expense	21	2.975.682	2.083.647
- Adjustments for deferred tax expense/(income)	21	(575.367)	2.064.027
Adjustments related to interest expense/income		(8.738.395)	(17.716.515)
- Adjustments related to interest income	16,20	(18.714.093)	(26.289.492)
- Adjustments related to interest expense	20	9.975.698	8.572.977
Investments in equity accounted investees	9	(1.134.560)	(581.918)
Adjustments related to profit/loss reconciliation		--	--
- Adjustments related to dividend income		--	--
- Adjustments related to bonus premium expense		--	--
Changes in working capital			
Adjustments related to change in trade receivables		271.948.757	(33.410.859)
Adjustments related to change in trade payables		(267.576.970)	84.587.820
Adjustments related to change in financial investments (short term financial assets)		(3.195.900)	(27.358.923)
Other adjustments to working capital		(62.186)	(194.841)
Cash flows from operating activities			
Interest received		22.168.911	28.703.703
Dividends received		--	62.523
Taxes paid	21	(1.613.264)	(2.075.076)
Vacation pay liability payments	14	(39.650)	(127.917)
Employee termination benefit payments	14	(109.676)	(288.301)
Bonus premium payments		(1.098.863)	(951.683)
B. Cash flows from investing activities:		(1.171.125)	(335.094)
Adjustments related to change in financial investments (long term financial assets)		(27.431)	752.783
Acquisitions of tangible assets	11	(949.981)	(708.146)
Acquisitions of intangible assets	12	(193.713)	(379.731)
C. Cash flows from financing activities		(53.580.458)	(229.459.083)
Financial liabilities		(36.147.072)	(205.007.363)
Interest paid		(17.433.386)	(24.451.720)
Net cash flows before effect of change in exchange rates on cash and cash equivalents (A+B+C)		(24.787.000)	(173.266.109)
D. Effect of change in exchange rates on cash and cash equivalents		178.477	23.010
Net change in cash and cash equivalents (A+B+C+D)		(24.608.523)	(173.243.099)
E. Cash and cash equivalents at the beginning of the period	3	83.335.129	256.578.228
Cash and cash equivalents at the end of the period (A+B+C+D+E)	3	58.726.606	83.335.129

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

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

1 Organisation and operations of the Company

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

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

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

According to 16 December 2014 dated and 35/1256 numbered Capital Markets Board of Turkey ("CMB") decision, repo and reverse repo transactions, previously defined as capital market activities, are not included in the scope of investment services and activities, and ancillary services in CMB Law number 6362, consequently all of the repo-reverse repo licences received pursuant to CMB numbered 2499 are considered invalid. The Company's General Management is delegated to cancel the mentioned licence by announcing the cancelation in Turkish Trade Registry Gazette and render the original licence documents to Capital Markets Board, following the invalidation of the Company's 18 May 1998/ARK/RP-178 dated/numbered repo-reverse repo licence pursuant to CMB's resolution.

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 2014: 10). With reference to agency agreement, all branches of T. Halk Bankası AŞ are agencies of the Company and there is commission sharing with these agencies.

Branch addresses of the Company are as follows:

Head Quarter: Halide Edip Adivar Mah. Darülaceze Cad. No: 20 Şişli / İstanbul

İstanbul Branch: Gayrettepe Mah. Büyükdere Cad. Neutron İş Merkezi Kat:7 Şişli / İstanbul

Ankara Branch: Arjantin Cad. No: 13 Çankaya / Ankara

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

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

Antalya Branch: Kircamii Mah. Avni Tolunay Cad. Bal İşmerkezi no:123/A Kat:6 No:38 Antalya

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

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

Denizli Branch: Kirişhane Mah. İzmir Bulvarı No: 17 Pamukkale / Denizli

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

Notes to the financial statements**As at and for the Year Ended 31 December 2015**

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

1 Organisation and operations of the Company (continued)

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

	31 December 2015	31 December 2014
T. Halk Bankası AŞ	99,96%	99,96%
Other	0,04%	0,04%
Total	100,00%	100,00%

As at 31 December 2015, the Company has 144 employees (31 December 2014: 136). The Company operates with 9 branches (31 December 2014: 10).

Subsidiaries

To operate in international finance and capital markets, Halk Invest Ltd. London Company registered in England Chamber of Trade Registry (Companies House) as company's investor as of 1 October 2013, on the phase of assigning operation allowance application file by FCA (England Financial Managing Authority). As a result of advisories by consulting companies of Halk Invest Ltd. Company with institutions these are in question, FCA explains its arguments to the company as their expectations are beyond anticipated current business and the reason is EU Capital Market Legislation (Markets in Financial Instruments Directive 2) that is accepted on April 2014.

For this reason, instead of configuring Halk Invest LTD according to FCA requirements, on 23, it was decided to stop operations not to get licence and liquidate.

Liquidation procedures were completed as the date of 30 September 2015 and the announcement about publishing non-consolidated financial statements announced on 22 October 2015 in Public Disclosure Platform.

Associates

Details of the Company's associates are presented below:

Company	Share (%)	Foundation and operation place	Main operation area
---------	-----------	--------------------------------	---------------------

Halk Portföy Yönetimi AŞ	25	Istanbul	Portfolio management
--------------------------	----	----------	----------------------

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

Halk Portföy Yönetimi AŞ

Halk Portföy Yönetimi AŞ was established on 24 June 2011 by registration to Istanbul Trade Registry and declaration to Trade Registry Gazette dated 30 June 2011 and numbered 7848. The purpose of the Company is to operate in capital market activities in accordance with Capital Markets Board of Turkey.

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

2 Basis of presentation of the financial statements

2.1. Basis of presentation

2.1.1. *Statement of compliance*

The accompanying financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, "Basis for Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013.

Companies which report according to CMB regulations, applies Turkish Accounting Standards ("TAS") / Turkish Financial Reporting Standards ("TFRS") and related promulgations issued by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

The financial statements as at and for the year ended 31 December 2015 have been approved by the Board of Directors of the Company and authorised for issue as at 24 February 2016. General Assembly has the discretion of making changes in the accompanying financial statements after their issuance.

2.1.2. *The preparation of financial statements*

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

The forecasts and the assumptions which were prepared by the management, accounting policies of the Company applied on the financial statements as at and for the year ended 31 December 2015 are same with the accounting policies used for preparation of financial statements for the same year ended on the same date.

The financial statements includes all disclosures and notes that has to include in accordance with Turkish Financial Reporting Standards at the end of the year.

2.1.3. *Functional and presentation currency*

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

2.1.4. *Comparative information*

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

The balance of TL 1.389.891 time deposit rediscount cancelation that is classified under "finance cost" in company's profit and loss and other comprehensive income statement for the year ended 31 December 2014 is shown under comparative financial statements netting with "interest income on bank deposits".

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

2. Basis of presentation of the financial statements *(continued)*

2.1. Basis of presentation *(continued)*

2.1.5. 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 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
US Dollar ("USD")	2,9076	2,3189
Sterling ("GBP")	4,3007	3,5961

2.1.6. Segment reporting

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

2.2. Changes in accounting policies, estimates and errors

The material changes in accounting policies are applied on a retrospective basis and the comparative financial statements have been restated where applicable. There is no any significant change on accounting policies of the Company for the current year.

2.3. Changes in accounting estimates and errors

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

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

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

Note 4 – Financial investments

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

2 Basis of presentation of the financial statements *(continued)*

2.3. Changes in accounting policies, estimates and errors *(continued)*

Fair value measurement

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

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

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

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

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

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

Fair value measurements that use the notes are as follows:

Note 4 – Financial investments

2.4. New standards and interpretations not yet adopted as at 31 December 2015

2.4.1. *Standards, amendments and interpretations to existing standards effective in 2015*

The Company applied all of the relevant and required standards promulgated by POA and the interpretations of POA as at 31 December 2015.

2.4.2. *New standards and interpretations not yet adopted as at 31 December 2015*

The Company implemented all of the admissible and compulsory standards and annotations of POA as at 31 December 2015. Certain new standards, which are not yet effective as of 31 December 2015, are not applied in preparing the accompanying financial statements. These standards and annotations are;

TFRS 9 Financial Instruments

TFRS 9 (2010) adds additional obligations to financial commitments. The changes in TFRS 9 (2011) should affect the computations of financial commitments classified through financial assets' computation, classification and fair value difference reflect on profit or loss. The changes in fair values of financial commitments, whose fair value difference reflected on profit or loss, concerning credit risk should be presented in other comprehensive income statement. All changes made will be valid for annual periods starting on or after 1 January 2018. The company is not planning to apply this standard earlier and the effects related to mentioned changes have not been evaluated.

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

2. Basis of presentation of the financial statements *(continued)*

2.5. Summary of significant accounting policies

2.5.1. *Accounting of revenue and expenses*

Sales revenue and financial income

-Brokerage services in capital markets: The income obtained from the brokerage services is recognised in profit or loss at the transaction date. The brokerage services income are recorded daily to the profit or loss on an accrual basis until there is an estimate of the management occurs related to the uncertainty of the collection.

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

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

-Funds lend ed under reverse repurchase agreements: The terms of funds lend ed 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.

Other

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

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

Other revenue and expenses are recognised on accrual basis.

2.5.2. *Tangible assets*

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

Costs refer to expenditures directly related to acquisition of assets.

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

Depreciation

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

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

2. Basis of presentation of the financial statements *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.2. **Tangible assets** *(continued)*

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	Shorter of 5 years or lease term

Subsequent expenditure

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

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

2.5.3. **Intangible assets**

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

2.5.4. **Investments in associates**

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

2.5.5. **Financial instruments**

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

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

2. Basis of presentation of the financial statements *(continued)*
- 2.5. Summary of significant accounting policies *(continued)*
- 2.5.5. *Financial instruments (continued)*

Financial assets

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments which their maturities are three months or less from date of acquisition, reverse repurchase agreements, and Type B liquid funds that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Time deposits at banks are initially measured at fair value and then, subsequently measured at amortised cost using the effective interest method. The carrying amount of these assets is close to their fair values.

Financial assets at fair value through profit or loss

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

Available-for-sale financial assets

Available-for-sale financial assets are the financial assets other than assets held for trading purposes, financial assets at fair value through profit or loss, held-to-maturity financial assets and loans and receivables (trade receivables). Available-for-sale financial assets are recognised at the date of realisation of the purchase commitment of these financial assets. Gains or losses derived from the difference between the cost and discounted values calculated per effective interest rate method of the available-for-sale financial assets are recorded in profit or loss whereas their fair value and the discounted value calculated per effective interest rate method are recorded in "Fair value reserve" under shareholders' equity. When the available-for-sale financial assets are derecognised, the gain or losses accumulated in equity under fair value reserves are reclassified to profit or loss.

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

2. **Basis of presentation of the financial statements** *(continued)*

2.5. **Summary of significant accounting policies** *(continued)*

2.5.5. **Financial instruments** *(continued)*

Available-for-sale financial assets *(continued)*

Quoted equity investments and quoted certain debt securities held by the Company that are traded in an active market are classified as available-for-sale financial assets and are measured at fair value. The Company also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and measured at cost since their fair value may not be measured reliably.

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

Trade and other receivables

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

Financial liabilities

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

Derivative financial instruments

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

Capital

Common stock

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

2.5.6. **Impairment of assets**

Financial assets

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

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

2. Basis of presentation of the financial statements *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.6. *Impairment of assets (continued)*

Financial instruments (continued)

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

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

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

Non-financial assets

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

2.5.7. *Offsetting*

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

2.5.8. *Borrowing costs*

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

2.5.9. *Foreign currency transactions*

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

2.5.10. *Earnings per share*

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

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

2. Basis of presentation of the financial statements *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.11. *Subsequent events*

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

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

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

2.5.12. *Provisions, contingent liabilities and assets*

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

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

2.5.13. *Leasing transactions*

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

The Company as lessor

There are not any transactions of the Company as lessor.

The Company as lessee

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

2.5.14. *Related parties*

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

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

2. Basis of presentation of the financial statements *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.15. *Segment reporting*

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

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

2.5.16. *Income tax*

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

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

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

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

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

2. Basis of presentation of the financial statements *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.17. *Employee benefits*

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

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

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

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

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

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

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

2.5.19. *Statement of cash flows*

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

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

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

3 Cash and cash equivalents

As at 31 December 2015 and 31 December 2014, cash and cash equivalents are as follows:

	31 December 2015	31 December 2014
Cash at banks ⁽¹⁾	66.588.319	89.828.236
- Time deposits	54.583.404	79.785.604
- Demand deposits	12.004.915	10.042.632
Receivables from reverse repurchase agreements	879.391	2.133.789
Petty cash	--	--
Cash and cash equivalents on statement of financial position	67.467.710	91.962.025
Interest income accruals on cash and cash equivalents	(204.104)	(792.396)
Customer assets	(8.537.000)	(7.834.500)
Cash and cash equivalents on statement of cash flows	58.726.606	83.335.129

⁽¹⁾ TL 8.537.000 (31 December 2014: TL 7.834.500) of bank accounts are customer assets which are not yet invested and evaluated with its own deposit accounts of the Company as at 31 December 2015.

As at 31 December 2015, TL 44.525.103 of cash at banks (31 December 2014: TL 6.026.591) is held on time deposit accounts of T. Halk Bankası AŞ which is main shareholder of the Company, TL 9.828.951 of cash at banks is on demand deposit accounts (31 December 2014: TL 9.065.028).

As at 31 December 2015, maturity of receivables from reverse repurchase agreements is 4 day and interest rate is 9,40%-10,15% (31 December 2014: 1 day maturity, 7,97% interest rate).

As at 31 December 2015 and 31 December 2014, the details of time deposits are as follows:

	31 December 2015				31 December 2014			
	Interest rate (%)	Maturity	Currency	Amount	Interest rate (%)	Maturity	Currency	Amount
T. Halk Bankası AŞ	13,10	21.01.2016	TL	10.053.836	11,30	TL	30.01.2015	2.503.096
T. Halk Bankası AŞ	13,30	25.01.2016	TL	10.036.438	11,00	TL	27.03.2015	2.468.727
T. Halk Bankası AŞ	13,75	01.02.2016	TL	10.015.068	8,00	TL	02.01.2015	550.238
T. Halk Bankası AŞ	13,30	26.01.2016	TL	8.032.066	1,50	GBP	02.01.2015	504.530
T. Halk Bankası AŞ	13,65	16.02.2016	TL	5.437.422	--	--	--	--
T. Halk Bankası AŞ	10,50	04.01.2016	TL	950.273	--	--	--	--
Other	13,30	20.01.2016	TL	10.058.301	10,15	TL	14.01.2015	10.116.795
Other	--	--	--	--	10,40	TL	15.01.2015	10.122.521
Other	--	--	--	--	10,20	TL	20.01.2015	10.108.986
Other	--	--	--	--	11,75	TL	02.02.2015	8.181.894
Other	--	--	--	--	10,60	TL	07.01.2015	4.848.789
Other	--	--	--	--	10,30	TL	16.01.2015	20.248.329
Other	--	--	--	--	10,45	TL	19.01.2015	10.131.699
Total				54.583.404				79.785.604

As at 31 December 2015 and 31 December 2014, there is no blockage on cash and cash equivalents of the Company.

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

4 Financial investments

Short term financial assets

As at 31 December 2015 and 31 December 2014, short term financial investments are as follows:

Financial assets at fair value through profit or loss

	31 December 2015		31 December 2014	
	Nominal value	Carrying value	Nominal value	Carrying value
Government bonds	26.318.789	27.954.054	17.000.000	16.882.144
Equity securities	4.677.153	18.744.112	4.509.844	18.817.422
Private sector bonds	3.400.210	3.437.954	11.276.462	11.240.654
Total		50.136.120		46.940.220

As at 31 December 2015, government bonds with nominal value TL 300.000 and TL 650.000 (31 December 2014: TL 600.000 and TL 400.000) and carrying value of TL 331.208 and TL 674.284 (31 December 2014: TL 596.148 and TL 397.432) is pledged as collateral at Turkish Derivatives Exchange and nominal value TL 200.000 (31 December 2014: TL 700.000 and TL 600.000) and the carrying value TL 207.472 (31 December 2014: TL 669.613 and TL 573.954) worth of government bonds are hold as deposit payments in care of BIST.

Long term financial assets

As at 31 December 2015 and 31 December 2014, long term financial assets are as follows:

Available for sale financial assets

	31 December 2015		31 December 2014	
	Carrying value	Ownership rate (%)	Carrying value	Ownership rate (%)
Share investments				
Halk Faktoring AŞ	785.434	1,240	739.205	1,240
Halk Gayrimenkul Yatırım Ortaklığı AŞ	288.788	0,038	307.586	0,038
Ziraat Portföy Yönetimi AŞ ⁽¹⁾	8.500	0,100	8.500	0,100
Halk Finansal Kiralama AŞ	4	--	4	--
Borsa İstanbul AŞ	159.711	0,038	159.711	0,038
Total	1.242.437		1.215.006	

⁽¹⁾ Recognised in the financial statements with cost value.

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

5 Trade receivables and payables

Trade receivables

As at 31 December 2015 and 31 December 2014, trade receivables of the Company are as follows:

	31 December 2015	31 December 2014
Receivables from loan customers ⁽¹⁾	31.448.710	27.019.348
Collaterals given to TDE ⁽³⁾	8.287.624	7.298.718
Company receivables from Stock Exchange Money Market ("SEMM")	7.000.000	--
Leveraged trading collaterals ⁽²⁾	3.958.536	5.081.782
Receivables from customers	784.420	1.115.298
Customer receivables from Stock Exchange Money Market ("SEMM")	39.000	282.510.000
Receivables from related parties <i>(Note 23)</i>	31.424	86.957
Collaterals given for borrowed securities	--	568.000
Doubtful trade receivables	216.813	35.181
Provision for doubtful trade receivables	(216.813)	(35.181)
Total	51.549.714	323.680.103

⁽¹⁾ As at 31 December 2015, average interest rate of the loans which were used by customers, are 17,03% (31 December 2014: 16,75%).

⁽²⁾ Receivables related with sales transactions made at SEMM on behalf of customers by the Company.

⁽³⁾ The amount presented in trade receivables is the cash collaterals held in Turkish Derivative Exchange Market to make leveraged trading transactions on behalf of customers.

As at 31 December 2015 and 31 December 2014, movement of doubtful receivables are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Balance at the beginning of the year	35.181	32.596
Allowance provided during the year	181.632	46.981
Collections during the year	--	(44.396)
Balance at the end of the year	216.813	35.181

Trade payables

As at 31 December 2015 and 31 December 2014, trade payables are as follows:

	31 December 2015	31 December 2014
Funds provided under repurchase agreements	26.577.888	14.598.348
Payables to customers	8.905.078	8.209.628
TDE collaterals	8.287.623	7.298.718
Leveraged trading collaterals	3.904.035	5.089.102
Payables to suppliers	611.366	395.424
Payables to Stock Exchange Money Market	39.000	282.510.000
Payables to related parties <i>(Note 23)</i>	1.110	23.649
Guarantees received for lend securities	--	568.000
Total	48.326.100	318.692.869

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

6 Financial liabilities

As at 31 December 2015 and 31 December 2014, financial liabilities of the Company are as follows:

	31 December 2015	31 December 2014
Payables to Stock Exchange Money Market	19.926.290	56.073.362
Total	19.926.290	56.073.362

As at 31 December 2015, letter of guarantees amounting to TL 65.000.000 are given as collateral for debts to Stock Exchange Money Market (31 December 2014: TL 135.000.000).

As 31 December 2015 and 31 December 2014, the Company's financial liabilities are as follows:

	31 December 2015			31 December 2014		
	Interest rate (%)	Maturity	Amount	Interest rate (%)	Maturity	Amount
SEMM	14,30	04.01.2016	19.926.290	10,25	05.01.2015	10.539.373
SEMM	--	--	--	10,40	06.01.2015	8.006.508
SEMM	--	--	--	10,80	30.01.2015	8.004.497
SEMM	--	--	--	10,63	09.01.2015	7.502.076
SEMM	--	--	--	10,30	02.01.2015	5.016.423
SEMM	--	--	--	9,55	07.01.2015	4.840.956
SEMM	--	--	--	9,37	02.01.2015	4.743.165
SEMM	--	--	--	10,70	06.01.2015	3.636.012
SEMM	--	--	--	9,37	02.01.2015	2.258.554
SEMM	--	--	--	10,70	07.01.2015	1.107.308
SEMM	--	--	--	10,30	07.01.2015	244.394
SEMM	--	--	--	10,60	02.02.2015	174.096
Total			19.926.290			56.073.362

7 Other long-term assets

Company designed a project with Istanbul Stock Exchange to supply the software needs which comprises transactions of integrated order arrangement system, back-office and development of accounting and reporting systems with current technology and presented it to Technopark Arbitration Board. After confirmation of the project lend was leased and the operation was started in November 2015. The duration of the project is 24 months.

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

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

8 Other receivables and payables**Other receivables**

As at 31 December 2015 and 31 December 2014, other receivables are as follows:

	31 December 2015	31 December 2014
TDE collaterals ⁽¹⁾	1.086.089	496.215
Rent deposits	231.719	135.933
Receivables from personnel	14.359	13.589
Other	--	85.289
Total	1.332.167	731.026

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

Other payables

As at 31 December 2015 and 31 December 2014, other payables are as follows:

	31 December 2015	31 December 2014
Taxes and dues payable	999.289	850.929
Other	--	19.609
Total	999.289	870.538

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

9	Investments in equity accounted investees			Main operational area
	Share (%)			
Associations	31 December 2015	31 December 2014		
Halk Portföy ⁽¹⁾	25,00	25,00		Portfolio management
		31 December 2015	31 December 2014	
Total assets		14.245.092	9.572.635	
Total liabilities		(1.054.825)	(920.608)	
Net assets		13.190.267	8.652.027	
Company's share in equity accounted investees		3.297.567	2.163.007	
Investments in equity accounted investees		3.297.567	2.163.007	
		31 December 2015	31 December 2014	
Total income		10.181.389	6.537.666	
Net profit / (loss) for the period		4.538.240	2.327.673	
Other comprehensive income		(10.069)	88	
Share of profit/(loss) for the year of equity accounted investees		1.134.560	581.918	
Share of profit or loss and other comprehensive income of equity accounted investees		1.132.043	581.918	

⁽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 2.000.000 in cash for the 25% share of Halk Portföy Yönetimi AŞ. Halk Portföy Yönetimi AŞ's share capital is comprised of 8.000.000 shares each having a nominal value of TL 1.

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

10 Prepaid expenses

As at 31 December 2015 and 31 December 2014, other current assets are as follows:

	31 December 2015	31 December 2014
Prepaid expenses	837.367	299.733
Total	837.367	299.733

11 Tangible assets

For the years ended 31 December 2015 and 31 December 2014, movement of the tangible assets are as follows:

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
Opening balance, 1 January 2014	649.708	2.180.729	1.712.136	4.542.573
Additions	251.492	181.544	275.108	708.146
Disposals	--	--	--	--
Ending balance, 31 December 2014	901.200	2.362.275	1.987.244	5.250.719
Opening balance, 1 January 2015	901.200	2.362.275	1.987.244	5.250.719
Additions	344.801	128.598	476.582	949.981
Disposals	(87.607)	(683.113)	--	(770.720)
Ending balance, 31 December 2015	1.158.394	1.807.760	2.463.826	5.429.980
Accumulated depreciation				
Opening balance, 1 January 2014	282.869	1.560.641	1.017.474	2.860.984
Current year charge	176.989	326.720	370.635	874.344
Disposals	--	--	--	--
Ending balance, 31 December 2014	459.858	1.887.361	1.388.109	3.735.328
Opening balance, 1 January 2015	459.858	1.887.361	1.388.109	3.735.328
Current year charge	149.825	227.582	276.655	654.062
Disposals	(27.630)	(622.092)	--	(649.722)
Ending balance, 31 December 2015	582.053	1.492.851	1.664.764	3.739.668
Net book value				
1 January 2014	366.839	620.088	694.661	1.681.588
31 December 2014	441.342	474.914	599.135	1.515.391
31 December 2015	576.341	314.909	799.062	1.690.312

As at 31 December 2015, total insurance on tangible assets are amounting to TL 5.000.027 (31 December 2014: TL 2.983.250).

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

12 Intangible assets

For the years ended 31 December 2015 and 31 December 2014, movement of the intangible assets are as follows:

	Software
Cost	
Opening balance, 1 January 2014	1.551.767
Additions	379.731
Ending balance, 31 December 2014	1.931.498
Opening balance, 1 January 2015	1.931.498
Additions	193.713
Ending balance, 31 December 2015	2.125.211
Accumulated amortisation	
Opening balance, 1 January 2014	1.247.148
Current year charge	228.418
Ending balance, 31 December 2014	1.475.566
Opening balance, 1 January 2015	1.475.566
Current year charge	265.634
Ending balance, 31 December 2015	1.741.200
Net book value	
1 January 2014	304.619
31 December 2014	455.932
31 December 2015	384.011

As at 31 December 2015 and 31 December 2014, the Company does not have any internally developed intangible assets.

13 Provisions, contingent assets and liabilities

Provisions

As at 31 December 2015 and 31 December 2014, short-term provisions are as follows:

	31 December 2015	31 December 2014
Lawsuit provisions	911.867	210.666
Share-bond market participation accruals	41.671	18.122
Agency expense participation accruals	38.174	44.330
Account maintenance fee expense provisions	16.210	12.578
Expenses payables	12.407	88.337
Central Registry Agency ("CRA") Settlement and Custody Bank commission accruals	5.437	2.405
Telephone expense accruals	--	28.501
Other expense accruals	12.141	29.064
Total	1.037.907	434.003

Notes to the financial statements

As at and for the Year Ended 31 December 2015

(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 2015 and 31 December 2014, off balance sheet commitments and contingencies are as follows:

Letter of guarantees given

	31 December 2015	31 December 2014
Istanbul Stock Exchange ("ISE")	98.120.000	56.634.000
Stock Exchange Money Market Transaction Collaterals (Settlement and Custody Bank)	65.000.000	135.000.000
Capital Blockage (Settlement and Custody Bank)	1.750.000	1.750.000
CMB	1.776	1.776
Other	148.900	4.470.900
Total	165.020.676	197.856.676

As at 31 December 2015, the Company has guarantees given amounting to Euro 10.000 and USD 50.000 in ISE to make operations in foreign marketable securities market and given amounting to Euro 5.000.000 in ABN AMRO Clearing Bank N.V. to make prime brokerage operations (31 December 2014: Euro 10.000 and USD 50.000).

Other off balance sheet liabilities

	31 December 2015	31 December 2014
Items held in custody (nominal)		
Equity securities	808.180.886.384	760.014.182.352
Warrants	3.591.646.000	3.646.770.000
Other marketable securities	170.059.500	139.246.929
TDE agreements	6.944	4.943

As at 31 December 2015, TDE transaction collaterals amounting to TL 8.287.624 are kept at BIST Settlement and Custody Bank Inc on behalf of customers (31 December 2014: TL 7.298.718).

As at 31 December 2015 and 31 December 2014, open position transactions made on behalf of the customers in TDE market are as follows:

	31 December 2015	31 December 2014
Open position transactions amount	28.633.815	22.237.267

Lawsuits

As at 31 December 2015, total risk of lawsuits sued against the Company are amounting to approximately TL 911.867 (31 December 2014: TL 210.666) and TL 911.867 of provision is provided for these lawsuits on the financial statements (31 December 2014: TL 210.666).

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

14 Employee benefits

As at 31 December 2015 and 31 December 2014, the details of provisions related to employee benefits are below:

	31 December 2015	31 December 2014
<i>Short term</i>		
- Provision for unused vacation	732.604	602.487
- Personnel dividend bonus provision	1.400.000	1.120.000
<i>Long term</i>		
- Employee severance pay liability	845.118	335.585

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 2015 and 31 December 2014, movements in the provision for vacation pay liability during the year were as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Balance at the beginning of the year	602.487	577.546
Increase during the year	169.767	152.858
Paid during the year	(39.650)	(127.917)
Balance at the end of the year	732.604	602.487

Personnel dividend bonus provision

TL 1.400.000 of personnel dividend bonus provision is calculated according to the Company's estimate for the distribution of dividend for the year 2015 (31 December 2014: TL 1.120.000). In accordance with TAS 19, the Company recognises the related amount as an expense in the current period.

Employee severance pay liability

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

As at 31 December 2015 and 31 December 2014, movements in the employee severance pay liability during the year are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Balance at the beginning of the year	335.585	263.542
Interest cost	25.803	25.835
Service cost	123.717	63.944
Payments during the year	(109.676)	(288.301)
Actuarial difference	469.689	270.565
Balance at the end of the year	845.118	335.585

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

15 Equity

Share capital

As per the resolution of General Assembly held on 16 April 2015 it is decided that the amount of TL 930.583, 5% of net profit of the year 2014, is separated as primary reserve, the amount of TL 3.200.000, %5 of paid-in capital, is separated as primary dividend, the amount of TL 12.369.076 is separated as 2nd dividend, this amount is added to capital after passed a dividend, the maximum amount of TL 1.120.000 is paid to employees so as to cover it from 2014 employee dividend provision, the amount of TL 112.000 is separated as 2nd reserve, the amount of TL 2.000.000 is separated as special reserves, and paid capital is increased by TL 18.000.000 and become TL 82.000.000 and these decisions are registered on 6 May 2015 dated Turkish Trade Registry Gazette.

	31 December 2015			31 December 2014		
	Share (%)	Share	Amount (TL)	Share (%)	Share	Amount (TL)
T. Halk Bankası AŞ (A Group)	45,00	36.900.000	36.900.000	45,00	28.800.000	28.800.000
T. Halk Bankası AŞ (B Group)	54,96	45.067.200	45.067.200	54,96	35.174.400	35.174.400
Other (B Group)	0,04	32.800	32.800	0,04	25.600	25.600
Total	100,00	82.000.000	82.000.000	100,00	64.000.000	64.000.000

Restricted reservesLegal 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 2015, restricted reserves (legal reserves) of the Company are amounting to TL 9.324.969 (31 December 2014: TL 6.282.386).

Fair value reserves

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

Other gains/losses

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

Retained earnings

As at 31 December 2015, retained earnings of the Company are amounting to TL 1.691.360 (31 December 2014: TL 143.307).

Notes to the financial statements

As at and for the Year Ended 31 December 2015

(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 2015 and 31 December 2014, sales revenue and cost of sales are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Sales revenue		
Government bond sales	307.107.819	309.405.054
Treasury bills sales	30.586.623	6.791.786
Private sector bond sales	21.106.905	14.241.160
Commercial bond sales	20.427.252	--
Equity security sales	9.881.080	30.844.358
Sukuk rent certificates	7.070.435	7.793.012
Warrant sales	--	210
	396.180.114	369.075.580
Service income		
Brokerage commission income	17.901.479	15.364.386
Public offering intermediary income	7.379.407	4.957.956
Fixed returned marketable securities ("FRMC") and SEMM commission income	4.054.737	1.954.127
Interest income from loans and receivables	3.954.479	6.533.278
Leveraged trading income	2.971.623	1.713.886
TDE commission income	1.745.310	1.439.701
Default interest income	333.872	234.992
Funds management commission income	265.430	499.556
Consulting and reporting services income	148.424	144.948
Total service income	38.754.761	32.842.830
Discounts from service income		
Customer commission returns	(248.032)	(3.456.893)
Total discounts from service income	(248.032)	(3.456.893)
Total sales revenue	434.686.843	398.461.517
Cost of sales		
Government bond sales	(306.466.163)	(308.612.090)
Treasury bills sales	(30.571.901)	(6.791.670)
Private sector bond sales	(21.047.224)	(14.127.399)
Commercial bond sales	(20.427.252)	--
Equity security sales	(9.802.733)	(30.397.269)
Sukuk rent certificates	(7.031.880)	(7.743.950)
Warrant sales	--	(211)
Total cost of sales	(395.347.153)	(367.672.589)
Gross profit	39.339.690	30.788.928

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

17 Marketing expenses and general administrative expenses

For the years ended 31 December 2015 and 31 December 2014, general administrative expenses are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
<i>General administrative expenses</i>		
Personnel expenses	16.293.416	13.286.279
-Salaries	12.079.726	10.146.328
-Personnel insurance expenses	2.538.636	1.990.140
-Personnel service expenses	621.589	592.342
-Personnel food expenses	546.702	429.076
-Other personnel expenses	506.763	128.393
Rent expenses	1.236.489	1.188.090
Taxes and dues	985.729	398.121
Data monitor expenses	967.893	1.583.433
Outsourced benefits and services	926.037	800.914
Depreciation and amortisation expenses	919.696	1.102.762
Vehicle expenses	637.628	614.799
T. Halk Bankası AŞ common expenses participation provision expenses	535.923	387.448
Electricity, water and telephone expenses	498.269	412.117
Maintenance and repair expenses	260.257	148.843
Representation expenses	234.328	199.388
Corporate finance expenses	211.799	167.768
Audit and advisory expenses	148.423	208.205
Other	903.629	927.890
Total	24.755.625	21.426.057

For the years ended 31 December 2015 and 31 December 2014, marketing expenses are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
<i>Marketing expenses</i>		
Share of stock exchange expenses	4.199.265	2.600.071
Data monitor expenses	1.504.969	854.730
Data server expenses	529.362	441.870
Commission and service expenses	378.161	236.114
Advertising, notice and subscription expenses	254.959	321.841
Stock exchange and association subscriptions	252.864	147.367
Stock exchange access expenses	117.412	50.858
Sponsorship expenses	32.500	27.500
Internet and website expenses	20.636	90.198
Public offering commissions expenses	--	498.565
Other	350	6.239
Total	7.290.479	5.275.353

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

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 2015 are TL 919.696 (31 December 2014: TL 1.102.762). Employee severance pay liability expense for the year ended 31 December 2015 is amounting to TL 149.520. Vacation pay liability expense for the year ended 31 December 2015 is amounting TL 169.767 (31 December 2014: TL 89.779 of employee severance pay liability expense, TL 152.858 of vacation pay liability expense).

19 Other operating income / expenses

For the years ended 31 December 2015 and 31 December 2014, other operating income and expenses are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
<i>Other operating income</i>		
Other income and profits ⁽¹⁾	1.892.808	426.018
Other service income ⁽²⁾	430.232	623.119
Other extraordinary income and profits	261.591	269.154
Halk Invest common expenses sharing	--	238.809
Total	2.584.631	1.557.100
⁽¹⁾ Comprises dividend income on corporate portfolio.		
⁽²⁾ Comprises other income received from customers, reflected postage fees and taxes.		
<i>Other operating expenses</i>		
Lawsuit provisions	701.201	117.738
Other expenses and losses	268.312	50.639
Total	969.513	168.377

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

20 Finance income / costs

For the years ended 31 December 2015 and 31 December 2014, finance income and costs are as follows:

<i>Finance income</i>	1 January – 31 December 2015	1 January – 31 December 2014
Interest income on reverse repurchase agreements	11.530.187	9.186.452
Interest income on time deposits	3.064.011	8.998.138
Interest income on ("SEMM") and ("TDE")	2.406.193	99.977
Derivative income	2.092.429	6.544.846
Foreign exchange gains	1.834.127	1.157.959
Accrual income on government bonds/ treasury bills	1.604.961	1.115.181
Value increase of equity investments	489.362	10.234.793
Other	360.712	742.180
Total	23.381.982	38.079.526
<i>Finance costs</i>	1 January – 31 December 2015	1 January – 31 December 2014
Interest expense on repurchase agreements	9.909.019	8.456.885
Rediscount income on stocks and fixed income securities	2.903.389	--
Interest expense on borrowings	2.548.017	13.464.864
Foreign exchange losses	1.545.789	1.117.246
Letter of guarantee commissions	437.444	622.056
Accrual expense on government bonds/ treasury bills	66.679	116.092
Other	23.049	674.577
Total	17.433.386	24.451.720

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

21 Taxation

As at 31 December 2015 and 31 December 2014, the corporate tax rate is 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

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

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

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

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

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

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

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

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

21 Taxation (continued)

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 31 December 2015 and 31 December 2014, are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Profit before income tax	15.991.860	23.355.590
Corporate tax computed with statutory tax rate (20%)	3.198.372	4.671.118
Disallowable expenses	47.771	22.152
Tax exempt income	(845.828)	(545.596)
Tax expense	2.400.315	4.147.674

For the year ended 31 December 2015, effective tax rate is 15% (31 December 2014: 18%).

For the years ended 31 December 2015 and 31 December 2014, details of the tax expenses are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Current income tax expense	2.975.682	2.083.647
Deferred tax (income)/expense	(575.367)	2.064.027
Tax expense	2.400.315	4.147.674

As at 31 December 2015 and 31 December 2014, 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 2015	31 December 2014
Transfer from previous year	1.158.561	1.167.132
Current income tax expense	(2.975.682)	(2.083.647)
Prepaid taxes	1.613.264	2.075.076
Current tax assets	(203.857)	1.158.561

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

21 Taxation *(continued)*

Deferred tax

As at 31 December 2015 and 31 December 2014, assets and liabilities bearing deferred tax assets and liabilities are as follows:

	31 December 2015	31 December 2014
Deferred tax assets		
Lawsuit provision	182.373	42.133
Reserve for severance pay liability	169.024	67.116
Unused vacation pay liability	146.521	120.497
Allowance for doubtful receivables	43.363	7.036
Personnel dividend bonus provision	--	224.000
Other	32.063	167.497
Total deferred tax assets	573.344	628.279
Deferred tax liabilities		
Financial investments	2.174.158	2.783.738
Effect of the depreciation and amortisation method difference between tax regulations and financial reporting on tangible and intangible assets	82.725	98.753
Other	--	4.694
Total deferred tax liabilities	2.256.883	2.887.185
Net deferred tax liabilities	(1.683.539)	(2.258.906)

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.

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

23 Related party transactions

As at 31 December 2015 and 31 December 2014, balances with related parties are as follows:

	31 December 2015	31 December 2014
Cash and cash equivalents		
T. Halk Bankası AŞ	54.354.054	15.091.619
Total	54.354.054	15.091.619
Trade receivables from related parties		
Halk Yatırım Menkul Değerler AŞ AŞ B Tipi		
Kısa Vadeli Tahvil Bono Fonu	15.157	16.040
Halk Portföy Yönetimi AŞ	10.360	6.957
Halk Sigorta AŞ	5.900	5.900
Halk Hayat ve Emeklilik AŞ	7	--
T. Halk Bankası AŞ	--	41.499
Halk Yatırım Menkul Değerler AŞ B Tipi		
Şemsiye Fonu	--	14.231
Halk Yatırım Menkul Değerler AŞ AŞ BIST		
30 Endeks Fon	--	2.330
Total	31.424	86.957
	31 December 2015	31 December 2014
Payables to related parties		
Bilişim Adk ve Ödeme Sistemleri AŞ	1.110	747
Halk Portföy Yönetimi AŞ	--	22.830
Halk Hayat ve Emeklilik AŞ	--	72
Total	1.110	23.649

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

23 Related party transactions *(continued)*

Transactions with related parties

For the years ended 31 December 2015 and 31 December 2014, transactions with related parties are as follows:

Income from related parties

	1 January – 31 December 2015	1 January – 31 December 2014
T. Halk Bankası AŞ		
Commission income on public offer	5.250.000	4.125.000
Interest income on time deposits	698.187	4.023.297
Advisory service income	250.000	240.000
Reflection of personnel income	122.640	105.402
Sales income on subsidiaries ⁽¹⁾	--	3.669.195
Other income	50.220	40.752
T. Halk Bankası Fonları		
Commission income	3.610.446	--
Halk Emeklilik Fonları		
Commission income	1.042.931	--
Halk Portföy Fonları		
Commission income	231	--
Halk Yatırım Fonları		
Fund management commission income	265.430	499.355
Commission income	9.512	--
Halk Gayrimenkul Yatırım Ortaklığı AŞ		
Advisory service income	2.500	32.500
Custody commission income	739	1.949
Commission income	--	14.643
Halk Finansal Kiralama AŞ		
Advisory service income	2.500	2.500
Halk Sigorta AŞ		
Advisory service income	62.500	112.500
Commission income	1.514	7.170
Custody commission income	13	3
Other income	2.067	--
Halk Hayat ve Emeklilik AŞ		
Commission income	9.449	25.242
Other service income	2.500	204.240
Custody commission income	365	447
Halk Portföy Yönetimi AŞ		
Service income	100.342	65.263
Commission income	--	116
Halk Faktoring AŞ		
Advisory service income	2.500	2.500
Bileşim AŞ		
Advisory service income	2.500	2.500
Sales income on subsidiaries ⁽²⁾	--	430
Total	11.489.086	13.175.004

(1) Consists of the sales income on Halk Hayat Emeklilik AŞ.

(2) Consists of the sales income on Halk Faktoring AŞ and Halk Finansal Kiralama AŞ.

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

Notes to the financial statements

As at and for the Year Ended 31 December 2015

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

23 Related party transactions *(continued)*

Expenses to related parties

	1 January – 31 December 2015	1 January – 31 December 2014
<u>T. Halk Bankası AŞ</u>		
Rent expenses	1.206.399	776.282
Common cost participation expenses	524.749	383.679
Letter of guarantee commissions	34.231	7.450
Bank transaction expenses	13.884	18.833
Interest expense on borrowings	590	14.410
Agency share note and TDE commission returns	--	2.722.392
Public offering rebates	--	497.732
Sponsorship expenses	--	--
Leveraged operation income returns	--	473.620
<u>Halk Gayrimenkul Yatırım Ortaklığı AŞ</u>		
Rent expenses	--	40.372
Repo interest expenses	--	169.586
<u>Halk Portföy Yönetimi AŞ</u>		
Interest expense	37	17.676
Commission expense	--	21.742
<u>Halk Sigorta AŞ</u>		
Personnel expenses (health insurance)	401.354	268.103
Interest expense on repurchase agreements	91.929	112.029
<u>Halk Hayat ve Emeklilik AŞ</u>		
Personnel expenses (life insurance expenses)	59.214	32.580
Interest expense on repurchase agreements	160.155	264.758
<u>Bileşim AŞ</u>		
Service expenses	10.077	7.741
Total	2.502.619	5.828.985

Wages and other benefits granted to top management

For the year ended 31 December 2015, wages and similar benefits provided to the top management including Chairman, Member of the Board of Directors, General Manager, General Coordinator, and Assistant General Managers is amounting to TL 2.081.116 (31 December 2014: TL 2.300.687).

Notes to the financial statements

As at and for the Year Ended 31 December 2015

(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 Group 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.

Notes to the financial statements

As at and for the Year Ended 31 December 2015

(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 2015	Receivables				Cash at banks ⁽¹⁾	Financial assets ⁽²⁾
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party		
Exposure to maximum credit risk as at reporting date [A+B+C+D+E]	31.424	51.518.290	--	1.332.167	67.467.710	31.392.008
- Guaranteed part of maximum credit risk with collaterals etc.	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	31.424	51.426.019	--	1.332.167	67.467.710	31.392.008
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--	92.271	--	--	--	--
- Guaranteed part of risk with collaterals etc.	--	92.271	--	--	--	--
D. Net carrying value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	--	216.813	--	--	--	--
- Impairment (-)	--	216.813	--	--	--	--
- Guaranteed part of net value with collaterals	--	--	--	--	--	--
- Undue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Guaranteed part of net value with collaterals	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

⁽¹⁾ Reverse repurchase agreements presented in cash and cash equivalents amounting to TL 879.391 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 2014	Receivables				Cash at banks ⁽¹⁾	Financial assets ⁽²⁾
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party		
Exposure to maximum credit risk as at reporting date [A+B+C+D+E]	86.957	323.593.146	--	731.026	91.962.025	28.122.798
- Guaranteed part of maximum credit risk with collaterals etc	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	86.957	323.500.875	--	731.026	91.962.025	28.122.798
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--	92.271	--	--	--	--
- Guaranteed part of risk with collaterals etc	--	92.271	--	--	--	--
D. Net carrying value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	--	35.181	--	--	--	--
- Impairment (-)	--	35.181	--	--	--	--
- Guaranteed part of net value with collaterals	--	--	--	--	--	--
- Undue (gross book value)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

⁽¹⁾ Reverse repurchase agreements presented in cash and cash equivalents amounting to TL 2.133.789 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.

Notes to the financial statements

As at and for the Year Ended 31 December 2015

(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:

	Receivables				Cash at banks	Financial investments
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party		
31 December 2015						
Overdue 1-30 days	--	--	--	--	--	--
Overdue 1-3 months	--	--	--	--	--	--
Overdue 3-12 months	--	--	--	--	--	--
Overdue 1-5 years	--	--	--	--	--	--
Overdue more than 5 years	--	92.271	--	--	--	--
Guaranteed part with collaterals etc.	--	92.271	--	--	--	--

	Receivables				Cash at banks	Financial investments
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party		
31 December 2014						
Overdue 1-30 days	--	--	--	--	--	--
Overdue 1-3 months	--	--	--	--	--	--
Overdue 3-12 months	--	--	--	--	--	--
Overdue 1-5 years	--	--	--	--	--	--
Overdue more than 5 years	--	92.271	--	--	--	--
Guaranteed part with collaterals etc.	--	92.271	--	--	--	--

24.2 Liquidity risk

The residual contractual maturities of the Company's non-derivative financial liabilities as at 31 December 2015 are as follows:

Expected maturity	Carrying value	Total	3 months or less	3-12 months	1-5 years	More than 5 years
		contractual cash outflows				
Non-derivative financial liabilities	59.964.766	60.038.736	60.038.736	--	--	--
Financial liabilities	40.038.476	40.105.155	40.105.155	--	--	--
Trade payables	19.926.290	19.933.581	19.933.581	--	--	--
Derivative financial liabilities	--	--	--	--	--	--
Swap agreements	--	--	--	--	--	--
Cash outflow	--	--	--	--	--	--
Cash flow	--	--	--	--	--	--

The residual contractual maturities of the Company's non-derivative financial liabilities as at 31 December 2014 are as follows:

Expected maturity	Carrying value	Total	3 months or less	3-12 months	1-5 years	More than 5 years
		contractual cash outflows				
Non-derivative financial liabilities	374.766.231	374.907.305	374.907.305	--	--	--
Financial liabilities	56.073.362	56.207.693	56.207.693	--	--	--
Trade payables	318.692.869	318.699.612	318.699.612	--	--	--
Derivative financial liabilities	--	--	--	--	--	--
Swap agreements	--	--	--	--	--	--
Cash outflow	--	--	--	--	--	--
Cash flow	--	--	--	--	--	--

Notes to the financial statements

As at and for the Year Ended 31 December 2015

(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 2015 and 31 December 2014, the liquidity requirement of the Company in accordance with Communiqué 34 is as follows:

	31 December 2015	31 December 2014
Current assets (A)	143.356.301	446.602.763
Current liabilities (B)	48.309.656	367.042.686
Current assets / current liabilities (A/B)	2,97	1,22

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

Notes to the financial statements

As at and for the Year Ended 31 December 2015

(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 2015 and 31 December 2014, the Company's foreign currency position is as follows:

	31 December 2015		
	TL Equivalent (Functional currency)	USD	Euro
1. Trade receivables	--	--	--
2a. Monetary financial assets (Include cash ,bank deposit accounts)	2.367.821	811.868	2.320
2b. Non-monetary financial assets	--	--	--
3. Other	--	--	--
4. Current assets (1+2+3)	2.367.821	811.868	2.320
5. Trade payables	--	--	--
6a. Monetary financial assets	--	--	--
6b. Non-monetary financial assets	--	--	--
7. Other	--	--	--
8. Non-current assets (5+6+7)	--	--	--
9. Total assets (4+8)	2.367.821	811.868	2.320
10. Trade payables	--	--	--
11. Financial liabilities	--	--	--
12a. Other monetary liabilities	--	--	--
12b. Other non-monetary liabilities	--	--	--
13. Short term liabilities(10+11+12)	--	--	--
14. Trade payables	--	--	--
15. Financial liabilities	--	--	--
16a. Other monetary liabilities	--	--	--
16b. Other non-monetary liabilities	--	--	--
17. Long term liabilities (14+15+16)	--	--	--
18. Total liabilities (13+17)	--	--	--
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 position (9-18+19)	2.367.821	811.868	2.320
21. Net foreign currency asset/(liability) position of monetary (TFRS 7.b23) (=1+2a+5+6a-10-11-12a-14-15- 16a)	2.367.821	811.868	2.320
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	--	--	--

Notes to the financial statements

As at and for the Year Ended 31 December 2015

(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 2014		
	TL Equivalent (Functional currency)	USD	Euro
1. Trade receivables	--	--	--
2a. Monetary financial assets (Include cash ,bank deposit accounts)	1.072.121	164.679	191.943
2b. Non-monetary financial assets	203.899	--	56.700
3. Other	33.489	--	9.313
4. Current assets (1+2+3)	1.309.509	164.679	257.956
5. Trade payables	--	--	--
6a. Monetary financial assets	--	--	--
6b. Non-monetary financial assets	--	--	--
7. Other	168.552	--	46.870
8. Non-current assets (5+6+7)	168.552	--	46.870
9. Total assets (4+8)	1.478.061	164.679	304.826
10. Trade payables	11.709	--	3.256
11. Financial liabilities	--	--	--
12a. Other monetary liabilities	19.609	--	5.453
12b. Other non-monetary liabilities	--	--	--
13. Short term liabilities(10+11+12)	31.318	--	8.709
14. Trade payables	--	--	--
15. Financial liabilities	--	--	--
16a. Other monetary liabilities	--	--	--
16b. Other non-monetary liabilities	--	--	--
17. Long term liabilities (14+15+16)	--	--	--
18. Total liabilities (13+17)	31.318	--	8.709
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 position (9-18+19)	1.446.743	164.679	296.117
21. Net foreign currency asset/(liability) position of monetary (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15- 16a)	1.040.803	164.679	183.234
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	--	--	--

Notes to the financial statements

As at and for the Year Ended 31 December 2015

(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 2015		
	Strengthening of foreign currency	Weakening of foreign currency
<u>10% movement of US Dollar against TL</u>		
1- US Dollar Net asset/liability	236.059	(236.059)
2- Hedging part of US Dollar (-)	--	--
3- US Dollar net effect (1+2)	236.059	(236.059)
<u>10% movement of Sterling against TL</u>		
4- Sterling net asset/liability	723	(723)
5- Hedging part of Sterling (-)	--	--
6- Sterling net effect (4+5)	723	(723)
Total (3+6)	236.782	(236.782)
31 December 2014		
	Strengthening of foreign currency	Weakening of foreign currency
<u>10% movement of Sterling against TL</u>		
1- US Dollar net asset/liability	38.188	(38.188)
2- Hedging part of US Dollar (-)	--	--
3- US Dollar net effect (1+2)	38.188	(38.188)
<u>10% movement of Sterling against TL</u>		
4- Sterling net asset/liability	65.893	(65.893)
5- Hedging part of Sterling (-)	--	--
6- Sterling net effect (4+5)	65.893	(65.893)
Total (3+6)	104.081	(104.081)

Notes to the financial statements

As at and for the Year Ended 31 December 2015

(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 2015 and 31 December 2014, in case of having a 20% increase/(decrease) in BIST stock market index while having all other variables constant, the effects on profit or loss and comprehensive income would be as follows:

31 December 2015	Profit / (loss)		Equity ⁽¹⁾	
	20% increase	20% decrease	20% increase	20% decrease
<i>Financial assets at fair value through profit or loss</i>				
1- Stocks	3.748.822	(3.748.822)	3.748.822	3.748.822
<i>Available for sale financial assets</i>				
2- Stocks	--	--	57.758	(57.758)
Total (1+2)	3.748.822	(3.748.822)	3.806.580	3.691.064

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

31 December 2014	Profit / (loss)		Equity ⁽¹⁾	
	20% increase	20% decrease	20% increase	20% decrease
<i>Financial assets at fair value through profit or loss</i>				
3- Stocks	3.763.485	(3.763.485)	3.763.485	(3.763.485)
<i>Available for sale financial assets</i>				
4- Stocks	--	--	61.517	(61.517)
Total (3+4)	3.763.485	(3.763.485)	3.825.002	(3.825.002)

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

Notes to the financial statements

As at and for the Year Ended 31 December 2015

(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.

Interest risk position table

		31 December 2015	31 December 2014
Fixed interest rate financial instruments			
	Financial assets at fair value through profit or loss	28.378.088	23.144.808
	Time deposits	54.583.404	79.785.604
	Receivables from reverse repurchase agreements	879.391	2.133.789
Financial assets	Receivables from loan customers	31.448.711	27.019.348
Financial liabilities	Financial liabilities	19.926.290	56.073.362
Floating interest rate financial instruments			
	Financial assets at fair value through profit or loss	3.013.920	4.977.990
Financial liabilities	Financial liabilities	--	--

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 2015 and 31 December 2014 would be as follows:

	Profit/(loss)		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2015				
Financial investments	(30.139)	30.139	(30.139)	30.139
31 December 2014				
Financial investments	(142.627)	144.843	(142.627)	144.843

Notes to the financial statements

As at and for the Year Ended 31 December 2015

(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 2015 and 31 December 2014, the Company should have a minimum capital amounting TL 25.000.000 and TL 10.570.000, respectively in accordance with the certificates of authorisation in the scope of Communiqué 34, in order to make portfolio management, investment advisory, reverse repo and repurchase trading, margin trading, short selling, intermediary to public offerings, brokerage for trading at Turkish Derivatives Exchange.

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

a) Non-current assets;

1) Tangible assets (net),

2) Intangible assets (net),

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

4) Other non-current assets,

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

As at 31 December 2015, the capital adequacy base for the Company is TL 99.091.677 (31 December 2014: TL 84.990.583). 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 2015, 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.

Notes to the financial statements

As at and for the Year Ended 31 December 2015

(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 2015 and 31 December 2014, the risk provision amounts calculated in accordance with the regulations of Communiqué 34 are as follows:

	31 December 2015	31 December 2014
Position risk	6.528.942	19.130.453
Counter party risk	4.042.650	4.957.380
Foreign currency risk	--	--
Concentration risk	--	--
Total	10.571.592	24.087.833

25 Financial instruments

Fair value disclosures

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

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

Classification relevant to fair value information

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

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.

Notes to the financial statements

As at and for the Year Ended 31 December 2015

(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 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short term)	50.136.120	--	--	50.136.120
Financial investments (long term)	288.788	785.438	--	1.074.226
Financial liabilities				
Derivative financial instruments	--	--	--	--
31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short term)	46.940.220	--	--	46.940.220
Financial investments (long term)	307.586	739.209	--	1.046.795
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.

26 Events after reporting period

None.

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When you do not know the nature of the malady, leave it to nature.

Avicenna



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