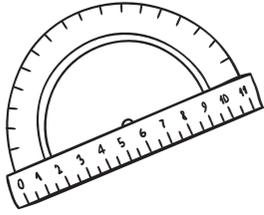


*Mathematics
is the most
beautiful and
most powerful
creation of the
human spirit.*

-Stefan Banach

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Accurate and diverse as numbers

As we leave a high tempo and productive year behind, you will be able to see the effect of right decisions on numbers clearly, in this report in which we share all of our activities, financials and projects with our Board of Directors, clients and the public. **Underlying these decisions, there is mathematics, the language of modern analytics and the science of economy.**

Mathematics is the way that nature talks to us. Many civilizations and hundreds of ancient scientists tried to understand this language throughout history as they legated invaluable legacies as resource to future generations. Leonardo of Pisa, also known with his more popular alias Fibonacci, stated one of the clearest expressions of this language with Fibonacci numbers, which was introduced in his renowned work; Liber Abaci.

In Fibonacci numbers, one of the most famous number series in mathematics, each number gives the sum of two previous numbers in the line. Fibonacci numbers reveal themselves in seed numbers reside in the spirals of blooming daisies or in "golden ratio" of architectural sketches. These numbers that allow us to understand the law of nature better than ever, have also been the key to find the order in what it seems to be chaotic.

Investment on the other hand is the art of giving meanings to numbers and finding the order between different series. We measure the capital, the risk and the revenue with numbers. From this aspect, investment is like a dance floor, where mathematics dances with all of its numbers. As Halk Invest, we interpret the investment as the same; dynamic and innovative as nature, accurate and diverse as numbers... As an intermediary, our goal is to support our clients for making the best of their savings.



Investment is the art of giving meanings to numbers and finding the order between different series.

$$y = \sqrt{2x-1}$$

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.

Under the accreditations given by the Capital Markets Board, Halk Invest provides the following services and solutions:

- Trading Brokerage,
- Portfolio Management,
- Investment Consultancy,
- Public Listing Intermediary,
- Margin Trading, Short Selling, Securities Lending,
- Trading Brokerage for Derivative Financial Instruments,
- Intermediary for Leveraged Trading

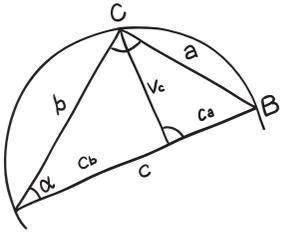
By interpreting the gain as a culture, Halk Invest places the culture of gain in the heart of its products and services. Within this respect, Halk Invest aims to provide market oriented, dynamic and innovative products and services to its customers.

Basic Information

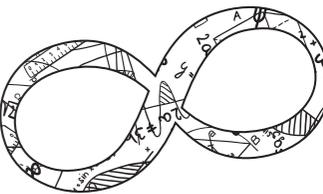
Foundation: 1997
Number of Branches: 10
Number of Employees: 134
Employees' Level of Education: 96% higher education
Average Employee Seniority: 4 years



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



Pure mathematics is, in its way, the poetry of logical ideas
- Albert Einstein



Major Indicators

SUMMARIZED FINANCIAL INDICATORS	31.12.2014	31.12.2013
Balance Sheet Items		
Assets		
Floating Assets	464,771,668.00	581,349,213.00
Cash and Cash Equivalents	91,962,025.00	268,901,325.00
Long Term Assets	5,349,336.00	9,014,857.00
Total Assets	470,121,004.00	590,364,070.00
Resources		
Short Term Liabilities	380,052,165.00	515,964,476.00
Long Term Liabilities	335,585.00	263,542.00
Shareholders' Equity	89,733,254.00	74,136,052.00
Net Profit / (Loss) for Period	19,207,916.00	8,684,530.00
Total Resources	470,121,004.00	590,364,070.00
Income Table Items		
Gross Real Operating Profit / (Loss)	30,788,928.00	32,775,372.00
Operating Profit / (Loss)	5,476,241.00	8,182,774.00
Pre-Tax Profit / (Loss)	23,355,590.00	10,800,153.00
Tax	4,147,674.00	2,115,623.00
Net Profit / (Loss) for Period	19,207,916.00	8,684,530.00
FINANCIAL RATIOS		
Liquidity Ratios		
Current Ratio (Floating Assets / Short Term Debts)	122%	113%
Cash Ratio (Liquid Assets / Short Term Debts)	24%	52%
Financial Structure Ratios		
(Short Term Debts + Long Term Debts) / Assets	81%	87%
Equities/Assets	19%	13%
Profitability Ratios		
Net Profit / Assets	4%	2%
Net Profit / Equities	21%	12%
Net Profit / Average Equities	23%	13%

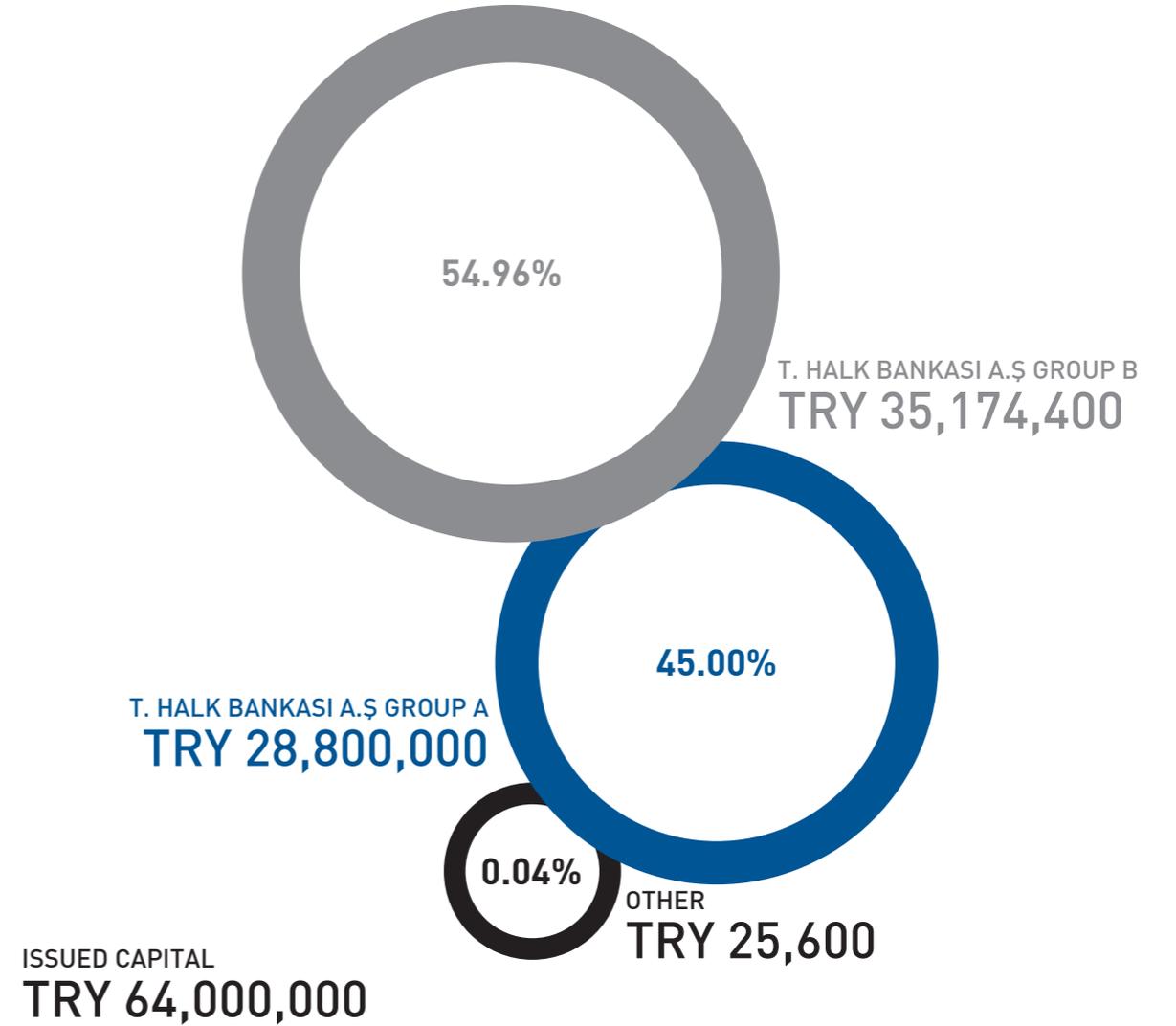
Total Assets (TRY Million)

2014 **470**

Equities (TRY Million)

2014 **90**

Capital and Shareholding Structure



A Halk Invest subsidiary: Halk Portföy Yönetimi A.Ş.

Halk Portföy Yönetimi A.Ş. 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 A.Ş. and corporate and individual client portfolios (special portfolio management).

Foundation: 2011

Halk Invest share in capital: 25%

Major Area of Activity: **Portfolio Management**

1997	2000-2005	2002	2006	2007	2011	2012	2013	2014
Foundation of the Company	Branching Phase	Transition to Remote Access (Exapi)	Transition from Staff Solidarity Foundation of T. Halk Bankası A.Ş. to Halkbank stakeholderhip	Halkbank 1st Public Listing	Reorganization of Branches	Agency Relationship with Halkbank through Income Share Model	Emlak GYO Public Listing	40% Share in Lease Certificate (SUKUK) Issues

Message from the Chairman

With the contribution to the vision of Istanbul to become a global finance center, Halk Invest will sustain its successful activities with its mission to comply with the transformation and improvement of the market.

As we leave a high tempo and productive year behind, I believe that Halk Invest, the subsidiary of main shareholder T. Halk Bankası A.Ş., will continue to provide added value to our country with high motivation and sustainable efficiency.

The year 2014 will claim its place in history as the year of transformation and restructuring thanks to the Law of Capital Markets and affiliated rescripts came into effect with the aim of organizing capital markets, in which our company operates. In a year in which activities within the scope of Istanbul Finance Center Action Plan accelerated, all intermediaries took significant responsibilities and duties. Halk Invest contributed to the vision of making Istanbul as a global finance center while bearing the mission to complying the transformation and improvement of the market as fast as possible by grounding on universal criteria.

We left a tough year behind, which witnessed significant changes in global economies, rising fluctuations of capital flow to emerging countries and efforts to balance economy and monetary politics in markets at different aspects and with different methods. We are stepping into a new phase, in which ordinary macroeconomic concepts and rules may differ and critical concepts that may take in to account. In our country's economy, managed through a sustainable and permanent growth approach, we will be able to see that some parameters which were perceived as vulnerabilities in the past ended up becoming the supporting notions of the economy. Low current deficit and low inflation will be among primary notions. The main ones to be pointed are low current account deficit backed by lower oil prices and lower inflation rates.

As one of the directing powers of global economy and monetary politics, the US economy and Central Bank are on a path that leaves the expansionary monetary policy behind. In 2015, which

has been widely seen as the candidate year to start a true normalization process, the increase in the size of financial volatilities is also expected. As another significant dynamic of global economies, Eurozone offers an outlook with low inflation and low economic activity despite the precautions held so far. Therefore vulnerabilities in growth dynamics continue to occur. However, the steps of monetary expansion taken by the European Central Bank have also a balancing effect on Fed's exit strategy steps. In a slow growing global environment, the projected growth rates for Turkish economy will continue to attract global economic actors' attention.

All in all, Halk Invest will continue to strengthen its position as the reference point of Halk Group in capital markets. Right along with this path, Halk Invest will move on with a vision of a leading investment company which provides added value, perfectly evaluates our economy's dynamics and has a strong belief in the future of capital markets. Our company will continue to place

the culture of gain into the core of its products and services with the principle to interpret gain as a culture and will also continue to support social responsibility projects -including financial literacy- that will improve human resources.

As we leave a productive year behind, in which the concrete results of our works can be seen in company balance sheets, I would like to thank to T. Halk Bankası A.Ş. as main shareholder, our employees, our dear customers and all of our partners on behalf of our Board of Directors 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 served as a member of the Board of Auditors between 2008 and 2010 prior to becoming a Board Member of Halk Portföy A.Ş. in 2011. Since 2012, Mr. Uysal has been the Chairman of Halk Portföy A.Ş. Having served as the head of T.Halk Bankası A.Ş.'s Money and Capital Markets between 07.09.2007 and 11.09.2011, 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.

KADİR YAYLAK

Vice President of the Executive Board

Having commenced his professional life in 1994 as a Deputy Inspector, Kadir Yayla 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 the Vice President of the Executive Board.

MURAT ÇETİNKAYA

Board Member and General Manager

Murat Çetinkaya was born in Ankara in 1970. He graduated from TED Ankara College high school in 1988. After graduating from Middle Eastern Technical University in 1992, he continued his studies at T.C. Ziraat Bankası A.Ş. Banking School in 1993. After completing his post graduate studies on Banking at Marmara University Banking and Insurance Institute in 2001, Murat Çetinkaya started his professional career at T.C. Ziraat Bankası A.Ş. Fund Management Directorship as a specialist. In 2004, he joined Tekstilbank A.Ş. to serve as a Deputy Treasury Director prior to his appointment as Head of Directory at Diler Yatırım Bankası A.Ş. in 2010. Having served as the General Manager of Halk Invest since August 2010, Murat Çetinkaya has also been serving as a Board Member since April 2013. As a member of Halk Portföy Yönetimi A.Ş. Board of Directors from the foundation of the company to April 2013, Murat Çetinkaya also serves as the Board Member of Halk Invest Ltd. London, the Head of Discipline Committee of Borsa İstanbul A.Ş. and Vice President of Turkish Union of Chambers and Commodity Exchanges – Turkish Capital Market Sectoral Assembly.

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 T.A.Ş. Data Processing Group, Ayşegül Sayın has been serving as the Head of Technologic Architecture Management at T. Halk Bankası A.Ş. since 2005. As of 09.04.2013, Ayşegül Sayın is a Board Member at Halk Invest.

DURŞUN ALİ ALEV

Board Member

Dursun Ali Alev started his professional career at T. Halk Bankası A.Ş.'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 A.Ş. Treasury Operations respectively. Having served as the Head of Treasury Operations at T. Halk Bankası A.Ş. since 2004, Dursun Ali Alev is also a Board Member.

ELVAN ÖZTABAK

Board Member

Elvan Öztapak served in the field of Accountancy, Financial Control and Foreign Affairs within the body of Ziraat Bankası in Ankara, Istanbul and Frankfurt. Having served as the Head of Financial Institutions and Investor Relations at T. Halk Bankası A.Ş. since 16.07.2012, Elvan Öztapak is also a current Board Member.

LEVENT NİHAT GÜLEÇ

Board Member

Levent Nihat Güleç started his professional career at T. Halk Bankası A.Ş. as a Deputy Expert Financial Analyst in 1989. He took on positions such as Deputy Inspector, Inspector, Vice President of Supervisory Board, President of Supervisory Board, and Corporate Branch Manager for Capital and Member of the Auditing Board at KOBİ Girişim A.Ş. respectively. Having served as the 1st District Coordinator in Ankara between 2007 and 2014, Mr. Güleç is currently a member of our board and Trakya District Coordinator.

SERDAR SÜRER

Board Member

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

Message from the CEO

To our valuable stakeholders,

As Halk Invest, we successfully completed the 4th year of our structural transformation program, which was prepared in 2010 with 5 years perspective: We are delighted to reach the highest profit rate in company's history within 2014 operating cycle. By achieving TRY 19.2 million net profit (UFRS) with 123% increase compared to last year and 23% average return on equity, Halk Invest ultimately took the 7th rank in resource growth. I would like to thank to all of our stakeholders, who helped us reaching these results including our customers, human resources and main financier.

We work and we will work with the conscience of evaluating the principle of financial sustainability as a broad notion comprised of social and administrative practices in addition to profitability. As of today, Halk Invest is not only a company that focuses merely on financial performance, but also a subsidiary of Halkbank, with a reference point grade corporate culture comprised of a human base that does not hesitate to work on financial missions complied with our country's interest under a voluntary basis.

Since it came to effect on December 2012, the 6362 Capital Markets Law affected the whole financial industry deeply with its secondary regulations. While it offers new opportunities for us, the brokerage houses as significant actors of capital markets, it also brings significant risks. Based on the fact that our country will not witness any elections during the next 4 years after June 2015 general elections, we predict a period in which the political stability will be a catalyser for financial stability and elevation. We evaluate our country's goal to become a regional finance center and evolve to become a global finance center by exercising sustainable policies as a reachable target. As we take the fact into consideration that Istanbul locates in a passing point between Asia and Europe within the path of historical Silk Road, our city has a significant advantage in terms of history and geography. Therefore, we must gather our efforts around a collective determination, in a conscious, patient manner and through a path navigated by the authorities so that we do not negate this catalysing advantage. Within this respect, we work under the principle, which

does not accept anything given based on defaults and encourages us to believe that anything that has never been done can be done. Today, the ideational perspective based on innovation and added value needs to get strengthened. The fact that Apples market value reached three fourths of our country's GNP is a universal indicator that shows us how important the change in mentality is. Investing on qualified human resource will be the first step to pass this threshold and we will work on that. In 2010, our company could generate revenue from 3 major field of activity including fund management. In 2011, we transferred this mission to Halk Portföy Yönetimi A.Ş., which we participate as a financier. By the end of 2014, we have become a company that generates revenue from 6 scopes excluding fund management. Halk Invest in our day structures its two main fields of activity under sustainable norms and carries outs qualified transactions by expanding its capacity year by year.

Within the scope of our Corporate Finance activities, our leadership must be appreciated. In 2013, which witnessed high levels of social and financial fluctuations, as a domestic leader we successfully completed the second public listing (USD 1.6 billion) of Emlak Konut GYO. No equal or similar stock IPOs in terms of quality and size occurred in the industry within the year 2014. It would not be an exaggeration to define the transaction led by Halk Invest as the last successful global public offering in our market. Although it is a highly positive achievement in the name of our company, it still brings challenging thoughts on behalf of our capital markets.

Turkey is among the most liquid markets among developing countries but while we improve our effectiveness in traditional financial markets, it is also important to get even more powerful in Islamic financial markets, where we are supposed to be much stronger through the leverage of our cultural and historical position, and to access the resources of new investors for the sake of our country's assets. While Halk Invest became one of the important actors of the market with nearly TRY 3 billion amounts of private sector bond issues in 2014, it also raised its local SUKUK bond issuance market share to 40% by closing nearly TRY 300 million issues for lease certificates (SUKUK), through being endowed by a certain Participation Bank. To improve our competency within the field of investment banking will be one of the key goals

of our structuring phase. We believe that Halk Invest has been becoming more apparent in our capital markets through its transactions in Debt Capital Markets, Equity Capital Markets and M&As.

Within the scope of our traditional Trading Brokerage activities, we continued to gather our efforts in order to improve our sales capacity by focusing on the improvement of marketing-sales strategies within the distribution channel of our Bank, which we see as our most powerful part. In 2014, we reached the highest brokerage revenue ratio in the history of our company. Through our 10 branch networks and 25 nationwide District Coordinatorship and clients within our Bank, we will continue to provide service and to spread the horizon of capital markets throughout the country.

In November, we launched our Outlook Report for 2015, during our fifth Investor Conference. Under a corporate opinion, we highlighted the risk and opportunity aspects of volatility, which is expected in 2015. We shared our thoughts and opinions with our clients and investors through a conversational concept, ran by a moderator. In addition to that, we shared the first results of How Local Is The Local Risk, an international academic research under Halk Invest's sponsorship. We believe this step will be a guiding example for the whole industry. We will continue to share our Outlook Reports with our clients at our Investor Conferences.

Under our mission of Corporate Social Responsibility and the principle of sustainability, we continued the excavations for a UNESCO World Heritage candidate; Kütahya/Çavdarhisar ancient city, by the courtesy of the Ministry of Culture and Tourism.

In 2015, we will continue to comply with new CMA regulations, coming into effect in accompany with European accords and we will also continue to think out of the box with awareness of product variation for each and every client. We will work on a qualified investment consultancy service. We will expand our corporate sales capacity. We will improve the training conditions of our staff. We will run efficiency focused internal project called PROJE ISTANBUL, which will put the good use of all our activities based on profitability, operation, auditory and technology. 2015 will be a year

that we consolidate all acquirements of recent years and concluding our new 5 years planning project. We will emphasize our "Right Decision" philosophy through our corporate identity and communication policies.

We all believe that Turkey's position in terms of capital markets is promising and exciting. We emphasize that the positive and tectonic developments of the last 15 years may go unnoticed due to short term pessimism caused by varied volatile conditions. However, we also think that we are experienced enough to see that preserving a reasonable positive perspective would be beneficial for our country. At Halk Invest, we look to the future of our country with confidence and make our preparations accordingly.

We cherish the support from T.Halk Bankası A.Ş., one of the key actors of Turkish banking industry on our activities. This particular issue is so significant with regard to leaping opportunities lies beyond our capital markets thanks to current conjuncture. We believe that the current level of our achievements with the support from our main financier and devotedly working staff is only 20% of what we can actually do. This is the thrusting power behind our motivation. Within this respect, we will continue our march to the future of our country's Capital Markets.

I would like to thank warmly to our investors and clients in particular and to our main financier T.Halk Bankası A.Ş., Capital Markets Board, which works to pave the way for the industry, Borsa İstanbul A.Ş., which takes an important role in the future of our industry with its structural transformation efforts and all persons and institutions who trust and support our company.

Best Regards.



Murat ÇETİNKAYA
Board Member and CEO

Top Management

MURAT ÇETİNKAYA

Board Member and General Manager

Murat Çetinkaya was born in Ankara in 1970. He graduated from TED Ankara College high school in 1988. After graduating from Middle Eastern Technical University in 1992, he continued his studies at T.C. Ziraat Bankası A.Ş. Banking School in 1993. After completing his post graduate studies on Banking at Marmara University Banking and Insurance Institute in 2001, Murat Çetinkaya started his professional career at T.C. Ziraat Bankası A.Ş. Fund Management Directorship as a specialist. In 2004, he joined Tekstilbank A.Ş. to serve as a Deputy Treasury Director prior to his appointment as Head of Directory at Diler Yatırım Bankası A.Ş. in 2010. Having served as the General Manager of Halk Invest since August 2010, Murat Çetinkaya has also been serving as a Board Member since April 2013. As a member of Halk Portföy Yönetimi A.Ş. Board of Directors from the foundation of the company to April 2013, Murat Çetinkaya also serves as the Board Member of Halk Invest Ltd. London, the Head of Discipline Committee of Borsa İstanbul A.Ş. and Vice President of Turkish Union of Chambers and Commodity Exchanges – Turkish Capital Market Sectoral Assembly.

ALİ 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, 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 2008.

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 T.A.Ş. as an assistant specialist in 1997. He served in different positions at İktisat Portföy Yönetimi A.Ş., 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.

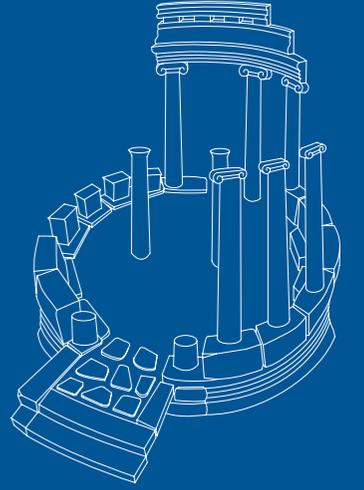
NİL MÜHÜR

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 Eylul 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 A.Ş. 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 for the last 6 years.

Corporate Social Responsibility

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. Halk Invest's uncompromised goal is to fulfil its social responsibilities to the public, under well planned and relevant strategies. 2014 excavations for the ancient city of Aizanoi, one of many historical riches located within our lands, is a crucial step for revealing this significant legacy and its transmission to our future generations.



A city rises up from the land

The 2014 excavation season at Aizanoi continued for 3 months and operated in 23 fields. The Macellum Field (Stock Exchange) and Columned Street were covered with wired fence for protection. The gemmed walls of the stores that belong to Byzantium Era strengthened and the grounds were covered with stone chips. A 100 cm wide walking track made of slate was built in the space starting with the entrance gate and goes through Macellum structure and stores. Chained rings were placed around Macellum and stores. The inner parts of the minaret located on the west side of round cultic space were cleaned and information signs were placed. Last but not least, wooden security cabin, wooden garbage bins, sitting benches and pots were placed. A bank was built around the tree located near the cultic field and information signs and bird nests were placed.

“Penkalas (Kocaçay) River Project” started in 2013 excavation season continued. 3D scanning and drawing of ancient protection walls and Roman bridges were completed. During the northern necropolis excavation 14 graves and grave tributes were discovered (1 osthotek and 13 simple soil forms). As a part of “Mosaic Hamam Simple Environmental Planning Project” the walls that limit the hamam was strengthened via a simple preservation method. The cover coat of the hamam has been changed and heat and light resistant tempered glass was placed on two sections located on the eastern façade of the place. Since there will be ancient music recital for visitors, a sound system has been placed inside Mosaic Hamam. Mosaic with Satyr and Menad figures was cleaned and opened for visits.

“Temple Cleaning and Vaulted Sub Gallery Exhibition Area Project” was done and the field beneath Zeus Temple was cleaned. 26 architectural blocks from excavation house’s garden and temple’s outdoor exhibition area were brought here and installed in a certain line up to form an exhibition area. Turkish and English information signs were placed near each and every artefact. Iron ladders that lead to the lower floor of the temple were strengthened and camera and sound equipment were placed around it. The security of the site has been established and ancient music recital for visitors has begun.

Work has been done for Aizanoi/Çavdarhisar Art History while drawing and catalogue processes for bakeries, warehouses and rye figures have been completed. As a part of promotion activities, “Oenkalas Animation Project Animations” were screened during “First Aizanoi Public Days Meeting”. A visit to Çavdarhisar Agricultural High school was organized to inform students about the ancient city and the excavation project. The team contributed to “Zamana Yolculuk”, a TV program aired on TRT Okul and provided information about excavation process. For another TV program aired on A Haber, information given about Mosaic Hamam and environmental planning and also Kybele Market. Women of Çavdarhisar and female staff of excavation took their part in the program.



Prof. Elif ÖZER, Head of Aizanoi Excavations

Macroeconomic Outlook

On the way to increase in global volatility...

When we look at the Turkish economy in 2014, we see that the political stability was sustained after local and presidential elections. Depending on a lower global growth, growth below the potential level that became dominant since 2012 was sustained. Policy rates were raised in a front end fashion against the visible increase in global volatility but some amount of them was given back when the volatility decreased.

The year 2014 just as we projected, witnessed uncertainties for global economy in terms of stability and sustainability. Yet, the global economy sustained its growth trend and this outlook paved the way for developed economies, to gradually withdraw the expansionary tools, ran through unorthodox methods in their monetary policies. We can define 2014 as the year, in which the first signs of normalization in monetary policies. Having grown about 3.3% in 2013 and 2014 respectively, the global economy is projected to grow by 3.8% this year.

While developed economies' contribution to growth has been observed, developing countries grew in a relatively weaker fashion compared to the past. Apart from the difference of growth outlooks between the developing and the developed countries, a significant variation between the developed economies also had been observed. On one hand, the recovery in US and England economies occurred more clearly, on the other hand the EU Zone and Japanese economies failed to achieve a permanent growth and weaknesses reappeared.

The differentiation between developed economies reflected on monetary policies, as normalization tendency stood out in relatively strong economies while weaker ones embraced an expansionary attitude. The concerns about China, the second biggest economy in the world were around the possibility that the official growth target of 7.5% would not be reached in 2014. A 7.4% outcome, which was the lowest growth rate of the last 24 years, shows us that concerns were not totally groundless.

During the time of recession and tough constriction in global demand, the

economic growth that reduced to a level of 6%, reached the levels of 10.4% and 9.3% in 2010 and 2011 respectively, thanks to a positive base effect just after the recession and limited foreign demand revived through expansionary policies of global central banks. 7.5% growth, which was the growth target set by the government for 2013, took its shape as 7.7%. Setting the same target for 2014 caused a bit disappointment due to higher expectations but the way that 2014 took its shape, proved the government projections right.

The growth outlook in the US that came clearer in the second half of the year gave another outlook, in which the US differentiated from developing countries in terms of growth and monetary policies. In the light of a growing economy and the expectations around the end of monetary expansionism in the last quarter of the year and increased interest rate, the Dollar Index (DXY) ended the year with 12.8% appreciation with the help of purchases accelerated in the second half of 2014.

In an environment that USD witnessed its highest level of appreciation for the last decade, all developed and developing country currencies depreciated against USD. With 46% depreciation against USD, Norwegian Kroner drew the attention as the top selling currency among developed country currencies, while Russian Ruble came first among developing country currencies with 19% depreciation against USD.

As we envisage a continuous trend, the strengthening USD trend affected Turkish Lira less compared to other developing countries' currencies. In 2014, in which Turkish Lira renewed

its lowest level of parity against USD depreciated by 8.0% and completed the year in around "average" levels among other developing currencies. Despite this balanced position, TRY completed the last quarter of the year as one of the most appreciated developing currencies since the downward movement started with over USD 115 at Brent oil at the end of the first half of the year and recovering geopolitical risk notions.

While global concerns over growth and appreciation USD caused a downward pressure over commodity prices, the positive disintegration of palladium among precious metals caught attention. While spot gold, silver and platinum completed the year with 1.5%, 19% and 11.5% decline respectively, palladium appreciated by 11.3%. Due to the acceleration caused by risk elements appeared in global growth and supply conditions, Brent oil, witnessed its highest depreciation of the last six years with 49.3% in the second half of the year. Just like last year, Brent oil started this year by preserving its significant position in global agenda.

When we look at the Turkish economy in 2014, we see that the political stability was sustained after local and presidential elections. Depending on a lower global growth, growth below the potential level that became dominant since 2012 was sustained. Policy rates were raised in a front end fashion against the visible increase in global volatility but some amount of them was given back when the volatility decreased.

Improvement in external balance was observed due to moderate demand, reduction in oil prices, competitive advantage caused by depreciation of TRY

and recovery in gold trade and strong budget dynamics was preserved.

Yearly inflation which reached two digit levels due to high food prices and cumulative currency effect, closed the year with an optimistic outlook both in inflation and current account balance.

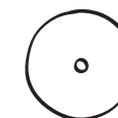
BIST100 APPRECIATED BY 16.3% ON USD BASIS

BIST-100 index started the year 2014 with a downward trend thanks to domestic political uncertainties and expectations regarding Fed's monetary policies. However, BIST100 index entered an increase trend starting from May, caused by various factors including the expectations that the decision of the Central Bank of Turkey to increase the interest rate could ease the financial vulnerability in the medium run, lowered pressure on developing countries and expectations on the elections. Although the risk appetite increased in a domestic level parallel to global markets following decisions taken in ECB meeting earlier June, it took an inversion in the second week of the month right after the developments in Iraq.

While TRY depreciated based on increasing geopolitical risks, an increase of sales in BIST was observed. Likewise, the downgrading credit rate of Turkish banks by Fitch also affected on the market in a negative way.

Despite increasing geopolitical risks around Turkey's nearby geography, the expectations on the Central Bank of Turkey to decrease the interest rates, supported the stock markets in the first half of July. While the presidential election ended in a way that supported the political stability, the newly formed

0%



25%



50%



75%



100%



IMPORTANT ECONOMICAL DEVELOPMENTS OF 2014

28 January
The CBTR
increased the
policy rate
by 500 base
points to 10%.

1 February
Jenett
Yellen was
appointed as
the President
of Fed.

19 March
Yellen
defined the
"reasonable
time" as 6
months.

30 March
Municipality
elections
were held in
Turkey.

5 April
Japan
increased the
consumption
tax first time
since 1997.

8 May
European Central
Bank stated that they
are "comfortable" to
perform loosening in
the next meeting.

22 May
The CBTR
decreased the
policy rate
by 50 base
points to 9.5%.

25 May
Opposition gained
power in European
Parliament
elections.

5 June
ECB decreased the policy
rate by 10 bps, changed
the interest to deposits to
negative and announced
the TLTRO program.

17 June
Yellen lowered
the tone of
"reasonable
time".

19 June
Brent oil
started to go
downward
from USD 115.

24 June
The CBTR
decreased the
policy rate by
74 base points
to 8.75%.

17 July
CBTR
decreased the
policy rate by
50 base points
to 8.25%.

Macroeconomic Outlook

Efficiently exercised policies to increase exports and savings would play a crucial role in sustainability of foreign demand contribution, backed by monetary policies.

government also supported the markets. But near to the end of the last quarter of the year, the increased signs of recovery in US economy caused comments regarding the normalization of US's monetary policies to happen faster than the market expectations. In addition to these, uncertainties about the scope and the size of ECB's new monetary expansion caused a disturbance on the risk perception.

When we evaluate the whole year, we see that BIST100 became the seventh most appreciated stock market in terms of local currency with 26.4% appreciation. On a USD basis, BIST100 differentiated from global markets in a positive way with 16.3% return rate. While MSCI developed country index closed the year with 2.9% increase, the developing country index depreciated by 14.6%.

THE MAIN THEME OF 2015: "INCREASE IN GLOBAL VOLATILITY"

We see 2015 as a year that potentially witnesses the normalization process in monetary policies becoming official through rediscovery of traditional methods. But since the economies still could not obtain a "permanent and stable" growth outlook and the clear differences between developed economies in terms of outlook and monetary policies may cause the normalization era to be experienced with increased volatility. Hence, we believe that the increase in volatility in global markets starting from the end of last quarter gives the preliminary signal about the validity of our projection for 2015.

We build our main scenario about the US economy around the projection that a "permanent and stable growth" position to be held in 2015 and therefore Fed

may increase the interest rates by the end of the first half of the year. We also assume that the policy precautions and expansionary tendencies of European and Japanese central banks against Fed's position based on normalization will not be sufficient to be a balancing factor. Therefore, the basis that lies behind our expectation on global volatility is its level of pressure on developing economies.

Likewise, the reduction of oil prices with higher volatility and continued uncertainties about new balancing process will be another pressure factor to be effective on global risk perception.

DIFFERENT DOMESTIC STABILIZATION IN A SLOWER GROWING WORLD: TURKEY

We believe that the normalization period, which tries to be permanent after a tough struggle against global recession through unorthodox methods, is also bringing the economies to new "normal" balances and this fact should not be underestimated. To put in a clearer way, taking new world "normal" into account when making evaluations about countries' own dynamics would pave the way for healthier results.

Within this respect, we project that Turkish economy, which grew by staying below the potential level with 2-4%; will deliver a similar performance closer to upper band. Although this level stays below the potential level offers a more acceptable outlook based on new global dynamics. In a slower growing global environment, the 4% growth rate that we project for Turkish economy still catches the attention in its economy group with its growth dynamics.

Turkish economy stands out not only

with its position within the slower pace of growth global environment but also with the change in its growth dynamics. In the past years, when it was in a growing trend, net foreign demand showed a "negative" contribution to Turkish economy. During that time, rest of the world was taking its place in the positive region only when there was a constriction or lower growth. As a result of export oriented growth strategy, net foreign demand is becoming a significant growth element within the economy.

Nevertheless, there are risk elements in terms of conserving this outlook in 2015. Downside risks related to growth in our main export partner EU, remains as the biggest concern over foreign demand based growth projection. Regarding our other export markets, the fact that geopolitical risks create pressure on exports of Iraq and other Middle Eastern countries, is another factor which raises questions about the sustainability of foreign demand's contribution.

Regarding growth outlook of 2015, we believe that the public sector would play a balancing role against these risks about foreign demand. As the strong budget performance of this year paves the way for growth via public expenses, efficient use of public expenses prior to parliamentary elections to be held on June 2015 appears to be a possible scenario.

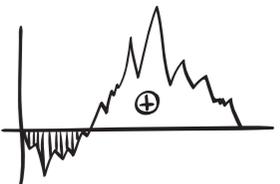
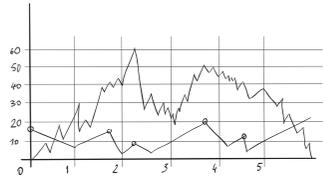
Regarding public sector expenses, which generates the majority of gross domestic product, revival of investment outlays would only be possible when the volatility of reliability on financial stability. The increase both in consumption and investment expenses may remain limited in a conjuncture in which the global

volatility is assumed to stay high.

When we draw the projection of growth outlook for 2015, we could see a table comprised of the following: risk elements as the contribution of foreign demand is strong as this year; the fact that normalization process based on global monetary policies does not cause a permanent and disruptive effect on domestic financial stability; and the fact that there will be a higher contribution of domestic demand in the event that support from public sector increases depending on parliamentary elections. Against disruptions within the EU region and geopolitical risks, efficiently exercised policies to increase exports and savings would play a crucial role in sustainability of foreign demand contribution, backed by monetary policies.

In 2015, particularly with support of hard drops of oil prices, the two factors that give the signal for positive outlook will be inflation and current account balance. As long as there is no permanent currency shock, we expect the drop yearly inflation will be striking particularly in the first half of the year. Our projection for yearend consumer price index inflation is 6.8% but there are still risks regarding the course of food and oil prices. We believe that the rate of current deficit will go down below of 5% and foresee similar risks for this outlook as well.

We project that the determination to protect strong fiscal policy, which became critical in terms of reducing a permanent disruption risk in both financial and economical dynamics and particularly easing pressure on monetary policies in normalization process of global monetary agenda.



IMPORTANT ECONOMICAL DEVELOPMENTS OF 2014

10 August
Presidential
elections were held
in Turkey.

28 August
62nd Turkish
government
was formed.

8 September
ECB decreased the
policy rate by 10 base
points and completed
the first issue of
TLTRO.

4 September
Jackson Hole
meeting was
held.

8 October
Medium
Term Program
for 2015 -
2017 was
announced.

29 October
Fed ended its
procurement
program.

31 October
Japanese Central
Bank performed
an unexpected
increase in asset
procurement
program.

5 November
Republicans
gained the
majority in US
Senate.

21 November
Chinese Central
Bank surprisingly
decreased the
policy rate.

27 November
OPEC
announced
that it will
not cut oil
production.

11 December
ECB completed
the second
issue of TL
TRO.

14 December
Abe won the
early elections.

17 December
Presidential
elections were
held in Greece.

As Halk Invest, we support strategies regarding the development of financial literacy and we try to show the same level of determination in all parts of our legal entity.

$$y = \sqrt{2x-1}$$

Financial Literacy

Although it associates with absence and nothingness, “zero” is the starting point of all civilizations ever established by the humanity. Despite the fact that it was used by the ancient Mesopotamians and Greeks in all fields, the foundation of zero created a revolutionary effect. After the arithmetical operation system using number zero was founded by Al Khwarizmi, the famous mathematician of the Islamic world, under the term “algebra”, the whole world started to embrace zero. All processes from calculating the sea level of structures to systemizing integers started with “0”.

With zero, counting numbers became easier too. Mathematics went into its golden age. Concepts that are old as the history of economics like revenue; saving and gain formed the keystones of the path that leads to “the mathematics of money” thanks to the contribution of zero. Along with the introduction of “double-entry bookkeeping”, by Luca Pacioli, the 15th century Italian mathematician in his famous work published in Venice, “Summa de Arithmetica, Geometria, Proportioni et Proportionalita”, the mathematics of money started its long journey, which would end up to term of finance, as we call it today.

There is a concept in finance, where mathematics appears with all of its blessings that played a crucial role just like the number zero. It is called “Financial Literacy”. The importance of zero for understanding the numbers has no difference with the importance of financial literacy in retaining notions like financial operations and gains. As we live in a period that making Istanbul a finance center has been embraced as a country policy, it is certain that we all need a starting point. In an environment, where the financial terms are clearly understood by everyone, reaching the goal of creating a finance center will become easier.

As Halk Invest, we support strategies regarding the development of financial literacy and we try to show the same level of determination in all parts of our legal entity. Financial literacy is a culture and a process which requires a learning curve. Focusing on to support and deepen our investment culture within this respect is our corporate and industrial priority.

1494

Lucca Pacioli, published his works, which introduced financial tables and double-entry accounting system.

FINANCIAL LITERACY



Investment Culture=Sustainable+Measurable+Patient+Participative

Evaluation of 2014 Activities

2014 was a year of “records” in profitability for Halk Invest

As the leading brokerage house of Turkey, we are delighted to put our signature under a very successful year thanks to our services based on reliability, trust, customer orientation and transparency, our principle to embrace technological advancements and our capability of using alternative distribution channels efficiently. After a year of hard work, our company achieved a net profit of TRY 19.2 million (UFRS) and increased its profitability by 123% compared to last year. Halk Invest reached its highest ever year end profitability rate and a 23% return on equity. Our company is ranked 7th in industry with its TRY 89.7 million equity size.

CORPORATE FINANCE

Algebra is reverse thinking in mathematics. When two numbers are added, the sum of two values gives us the result. But what if, we only have the result and one of the values? What should we do to find the other value? The famous Islamic scholar and mathematician Al Khwarizmi’s answer to this question, is also his gift to the entire world. Taking its roots from “el-cebr” term in Arabic, algebra is the art of finding unspecified values in equations. The origins of using the “X” and “Y” symbols in equations with unknown values also take their roots from the Arabic word; “şey”. The Latins registered the word “şey” as “xay” to their literature. X and Y symbols that we use today, take their form from the initial and last letters of this term.

Some consequences in the journey development of humankind have become rather clearer than the causes of those consequences. Algebra filled the gaps that we need to complete the equation. Creating solutions to solve the unknown is also the summary of world’s mathematical history. In finance, there are unknowns and solutions too. Companies need finance for their investments. Corporate Finance unit of Halk Invest, match the need of financial resources with its result oriented philosophy.

Resource needs of companies in Turkey have been shifting from money markets to capital markets. Halk Invest has been taking crucial steps to set its presence in corporate finance for the last 4 years. Halk Invest takes an innovative approach, compliant with new concepts brought by the Capital Markets Law, which paved the way for brokerage houses to be active in Investment Banking operations.

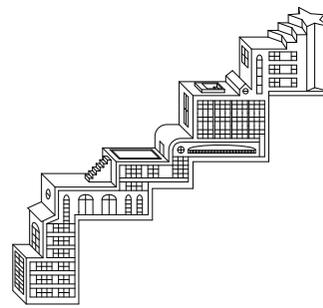
Corporate finance activities at Halk Invest cover extensive financial consultancy services including mergers & acquisitions, finding alternative financial resources and company evaluations. Apart from

accurately designed and effective practices like consultancy for privatization deals, debt instrument issues and public listings, the unit provides private and value added solutions.

Halk Invest has been among the industry leaders in parameters that measure success in public listing and issuing operations, including number of clients in share certificate issues and the size of sales thanks to extensive distribution channels of T. Halk Bankası A.Ş. With public listing of Emlak Konut GYO took place in 2013, Halk Invest became the Domestic Coordinator and Domestic Consortium Leader of the biggest capital increase transaction in the history of Turkish Capital Markets through public listing.

The Unit blazed a trail in 2014 by closing five issuing deals of lease certificates in different payment terms. Also known as “SUKUK”, the least certificate is a relatively new instrument in domestic capital markets. Halk Invest was authorized for the issuing of Kuveyt Türk Katılım Bankası A.Ş. lease certificates with a total amount of TRY 1 billion. The nominal TRY 287 million part of the deal was completed with sales to portfolio management companies, financial institutions, foundations, investment funds and qualified individual investors. With its performance in deals, Halk Invest took the first rank in industry for TRY based lease certificate issues in 2014.

For our Corporate Finance Group in 2015, we project higher activity in SUKUK and debt instrument deals, strengthening our presence as a consultant for M&A deals and continuing the steps for becoming an institution that fulfils all functions of investment banking.



Halk Invest took the first rank in industry for TRY based lease certificate issues in 2014.

Think well rounded to solve problems!

Research Reports are being followed closely by the industry and referred by news agencies and media services. Our highly accurate projections enable Halk Invest to be a preferred institution to be followed by market projectors.

INVESTMENT CONSULTANCY AND RESEARCH

The infinity is one of the most confusing concepts in our efforts to understand the universe. Is the whole greater than its parts? Could the parts be greater than the whole? Generally evaluated within the discipline of philosophy, these questions also reside in main focus points of mathematics.

The German mathematician, Georg Cantor brought the general knowledge about infinity to a whole different level. Cantor argued that mathematically, concepts like "equal" and "more" become gradually ambiguous when in the process of evaluating "infinite" number of elements. He also said that the number of elements in superset and subset can be matched, since even the whole that we call infinity can always have one more element. The key here is that data is infinite. One other field that focuses on interpreting infinite data is finance. That is what Halk Invest Investment Consultancy and Research unit actually does. Compiling reports that make countless data meaningful for their clients, the unit is the most reliable guide for today's world of finance.

In order to fulfil its research function, Investment Consultancy and Research Unit provides solutions that are above standards including transmitting updated, accurate and on time market information to in house units and clients, providing information about macroeconomic trends, evaluating global monetary policies and their effects on markets, creating projections about the outlook of economies and financial markets, collating analyses and projections in reports. Information sharing service may also target other subsidiaries, banks, the media and news agencies.

The unit has an extensive product line-up and it has its own place within the industry when it comes to content of its reports. Halk Invest continues to publish the following by preserving the superiority in terms of quality and delivery time:

Daily Bulletin comprised of expectations and projections on economic balances and financial markets, short and medium term changes in different financial indicators under country to country comparisons; Macroeconomic Strategy Note comprised of medium term economy analyses; Outlook Report published once a year and features the general outlook of Turkish economy and expectations around main themes regarding the global economy and domestic dynamics of the following year; Economy Evaluation Reports comprised of analyses focusing on the agenda right after the announcement of data related to macroeconomic indicators; Company Reports comprised of the current situation and position of companies, based on their official financial results, recommendations for investment and target prices

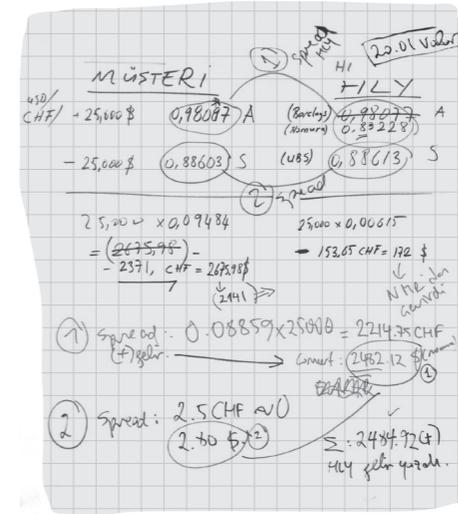
Started in 2013, Halkbank Investor Conferences is being organized for corporate and commercial branch customers of Halkbank, SME clients and qualified individual investors. The conference witnessed a broad participation last year. In 2014, based on the asset distribution decisions for Investment Consultancy, Model Portfolio Evaluation Reports started to be published in order to reflect the unit strategy. Asset distribution decisions are being taken under a certain approach, which runs from macro to micro and comprised of quantitative, basic and technical analyses and also an extensive product line-up. Within this respect, strategic and tactical methods are used together in a dynamic portfolio approach.

LEVERAGED TRADING

Deterministic philosophy assumes that the future locations and values of any objects within the universe can be known, when their locations, momentums and affected forces are known. In observable universe, this assumption seemed to be true. But the chaos theory of mathematics destroyed this idea. Chaos theory introduced the extraordinary differences when any slight changes on starting conditions are applied. The famous butterfly effect is derived from the chaos tradition.

The initial conditions cannot be controlled due to factors that we can only evaluate in quantum levels and therefore cannot be complied with the deterministic philosophy. Finance is one of the main fields that feed from the chaos theory. In leveraged trading markets for example, the flapping of a butterfly could trigger gigantic outcomes in different continents. Thanks to the result oriented and efficient guidance by Leveraged Training Unit at Halk Invest, investors can take the right decisions in leveraged trading markets.

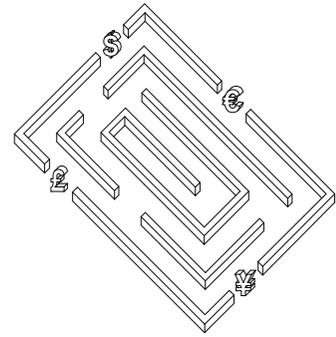
Halk Invest is the first ever brokerage house to operate in leveraged trading markets with a public capital. Leveraged trading covers purchasing and sales transactions of assets, which are determined by Capital Markets Board including currencies, commodities, precious metals and other assets in exchange for collateral and without the necessity of a physical delivery.



Forex is the general term for leveraged trading transactions. In Turkey, Forex allows investors to make healthier and more reliable investments than other countries' practices thanks to regulations to limit leverages by Capital Markets Board and assurance by Takasbank.

Having started to provide Forex service in June 2013, Halk Invest allows its customers to trade 5 days and 24 hours with more liquidity. Halk Invest is committed to improve its technological infrastructure in order to provide more competitive pricing.

The volume of Halk Invest's Forex transactions increased 292% compared to last year and reached USD 14.6 million. 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.

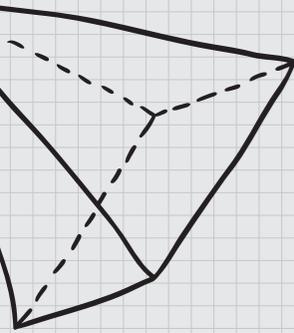


The volume of Halk Invest's Forex transactions increased 292% compared to last year and reached USD 14.6 million.

There is always one more.

Not to be afraid from the flutter of a butterfly.

Our goal is to transmit our customers' trading orders to markets in a fast and reliable manner and to make a difference in service quality.



DOMESTIC SALES

Calculus is a keystone of mathematics. Scientists, engineers and mostly economists need calculus to continue their profession. The term of calculus means "calculation". Both of the founding fathers of the term, Sir Isaac Newton and Gottfried Leibniz, discovered it when they wanted to make more intensified calculations.

The two pillars of calculus are "derivative" and "integral". With opposite meanings to each other, derivative grounds on chance, while integral does it on planimetry. Through the concept of integral, you could calculate the momentum of a stone when it is dropped off from a building based on the elapsed time of the fall.

Halk Invest Domestic Sales Unit operates in Derivatives Exchange Market, where the trading of derivative financial instruments happens. Halk Invest provides the best service to its clients by carefully collating data and calculating any instant and any moment with all details.

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

Domestic sales, 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. The unit's priority is to make difference with its service quality by providing fast and reliable transmission of trade orders to markets.

In our country, where the majority of the population is among a young age group, it is clear to observe that individuals demand transmitting their investment decisions through electronic environments such as the Internet and smartphones. We could verify this fact by taking demographic characteristics and variables like age, profession and city. Within this respect, we could say that the Alternative Distribution Channels have become a significant element to support domestic sales as a unit and a function which receives an average of a thousand phone calls a day and a medium which allows 85.2% of trade orders to transmit through electronic platforms.

The goals of Domestic Sales unit for 2015 includes improving the client portfolio within individual client focus, improving corporate client base, forming an additional portfolio comprised of portfolio management companies, financial institutions, foundations, investment partnerships and individual clients.

PORTFOLIO BROKERAGE

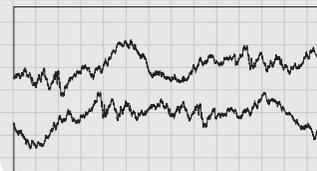
Causality is a field of mathematics which investigates the relationship and bond between two data clusters. Causality is a tool that can be used to observe the strong bond between two variables however the fact that there is a correlation between two variables does not automatically mean that one variable is the cause of the other. But there is conditionality between the variables.

The main danger of causality in any correlation is that despite the strong correlation between data, there may not be continuity. Therefore, causality in correlations may sometimes be misleading. Both the financial instruments and the concept of portfolio management focus on correlation and causality. Halk Invest's Portfolio Brokerage Unit, offers investment recommendations to its customers by focusing on to find the harmony between independent variables.

Trade orders to be transmitted as the counterparty of clients and all transactions in foreign organized and over the counter markets are part of Portfolio Brokerage Unit's activities. The main business line includes:

- Market making in leveraged trading
- Developing infrastructure for leveraged trading
- Maximizing the liquidity
- Establishing infrastructure for accessing foreign organized markets
- Building corporate relationships with foreign banks
- Accessing domestic and foreign over the counter markets (OTC)
- Product configuration

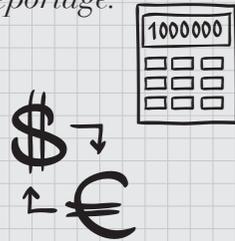
Trade orders to be transmitted as the counterparty of clients and all transactions in foreign organized and over the counter markets are part of Portfolio Brokerage Unit's activities.



Data, calculation, transaction, results!

Correlation and causality.

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.



FINANCIAL AFFAIRS

*The question of “how much?” is as old as the history of mankind. We want to count our tools, people around us and our assets. It is easy to count as many as fingers of our hands but what if we want to count things as many as stars in the night sky? The **numeric system** that we use today came to us from Babylonians and Hittites. These ancient civilizations gave away the ability of easily calculating the things with only ten simple symbols; 1, 2, 3, 4, 5, 6, 7, 8, 9, 10.*

Adding, multiplying and dividing numbers are key steps in the building process of today’s civilizations. The magical permutations of these ten symbols allow us to make crucial calculations smoothly with natural numbers, cardinal numbers, whole numbers and decimals. Halk Invest Financial Affairs Unit is the numerical system of Halk Invest. The unit continues the tradition accounting integration, detailed reports and many more of its services.

Financial Affairs Unit is the keystone for corporate operations. 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. Thanks to Monthly Annual Reports, detailed analysis of central and outlying income and expenses and department based expense tracking became possible. Transiting to Tagetik system, requested from all subsidiaries by Halkbank for monthly reports, allowed an integrated reportage system, in which all the subsidiaries and the bank come to terms with each other. Thanks to this step, integrated reportage, faultless calculations and operation consensus had been made possible.

TREASURY

*The answer of the common question; “Will this information be useful in real life?” asked by any student since elementary school, is mostly “money”. Every calculation and every formula ever had been made and used focus on the outcomes of the relationship between men and money. Therefore, banking and finance terms like capital, debt, simple interest and compound interest grounds on **“the mathematics of money”**.*

Any operation within the mathematics of money has to be done properly. Each and every element within these operations is often related to savings and futures of people. The philosophy behind Halk Invest Treasury Unit is based on the

right delivery of mathematics concerning money. The unit focuses on brokering of client transactions and asset liability management of the company. 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.

As of May 2014, security and pension funds transactions made by Halkbank and Halk Invest is being held by Halk Invest Treasury Unit. With these transactions, the company retained a significant increase in brokerage income and transaction volume.

Regular payment formula

$$S = R \times \frac{((1+i)^n - 1)}{i}$$

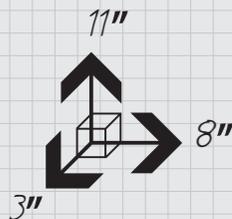
Compound interest formula

$$A = P \times (1+i)^n$$

Numeric Systems: Everything starts with the question of “How many?”

The mathematics of money.

Also within the scope of corporate identity project, the branch concepts are renewed. Branches in Bursa, Göztepe, Izmir, Ankara, Antalya and Denizli had their design concepts renewed with modern, dynamic and innovative outlines and new operation kiosks exclusively designated for investors.



CORPORATE COMMUNICATIONS

Dimensions enable us to comprehend the universe. Till the beginning of the 20th century, we always perceived the universe in three dimensions and referred to three points when we tried to describe the exact position of an object in the universe. For example, when we give directions for an address, we need to give information about the street, the door number and the floor. But when we do this, we lack an element. At what time should we be at that address? In order to answer this we need to use the dimension of "time".

Einstein's theories of general and special relativity revolutionized the way we perceive the universe. We can move freely among three dimensions but we are stuck in "now". We need to know the values of these dimensions in order to position ourselves. Communication has the same kind of role as dimensions in Halk Invest's positioning within the industry. While increasing the brand awareness of Halk Invest, the unit also develops strategies to direct company messages in the right place, at the right time.

By establishing the Corporate Communications functionality in 2014, Halk Invest sustained coordination, flow of information, motivation, integration, training, decision making and audition between the company and its units. By enabling

engagement with external target audience, Halk Invest Corporate Communications Unit also established communication processes to manage the company's reputation under certain principles.

2014 was a year in which organizations and efforts around corporate identity project's adoption and internalization in a companywide manner became intensified. Within this respect, all printed and digital documents had been created under a renewed design. All units within the company shifted to new design concept in a very short time.

Also within the scope of corporate identity project, the branch concepts are renewed. Branches in Bursa, Göztepe, Izmir, Ankara, Antalya and Denizli had their design concepts renewed with modern, dynamic and innovative outlines and new operation kiosks exclusively designated for investors. In 2015 and within budget planning, the renovation of other branches will continue.

Halk Invest Investor Conference, which has become a traditional event, was organized within Corporate Communications Unit in 2014 and the promotion of the event was successfully held.

MARKETING

The main tools in mathematics to group data are the "**the sets**". The objects in a set are called "elements" or "members". Sets focus on the common and different characteristics of elements in different groups. Tens of different sets can be generated based on the size and usage of elements. The relationship between these different sets can be studied.

All institutions group the assets that they own and the audiences that they address by -in a way- putting them in sets. **Grouping** is an essential step to recognize and differentiate the customer base. Understanding the customer base is a key component for institutions. This is what Halk Invest Marketing Unit does. The unit understands and segments the customer base of Halk Invest through detailed analyses and discovers the common characteristics of the audience while contributing on Halk Invest's ultimate mission to provide solutions that "match the needs".

Within the scope of its marketing activities, Halk Invest took important steps in 2014 by providing service to its individual and corporate customers increasingly, with its diversified products and services.

In this context, Marketing Unit adopting a project which segments the customers through detailed analyses of many different indicators. Thanks to this dynamically built segmentation, Halk Invest provides convenient service to its customers. As a result of this work, which is considered to the basis of new projects in the future, Halk Invest aims healthier decision making and

more efficient use of work power. In addition to that, efficiency tables for sales teams created to measure employee productivity with more arithmetical methods.

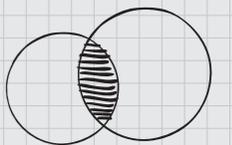
Having embraced the projection that the future develops around e-marketing field, Halk Invest started the test run of www.yatirimdialog.com, a new financial portal in 2014. Built around the plan to contribute on financial literacy, Halk Invest aims to provide service to a broader part of society.

In 2014, the main highlight of activities were designing new products, services and working fields based on the feedback of Halkbank and demands of business lines. Within this respect, the fifth annual Halk Invest Investor Conference was organized in Istanbul to share projections of Halk Invest and Halkbank with corporate and commercial customers.

As a part of one of the important business lines of the company, a dynamic and effective marketing flow for Corporate Bond Instruments was established. Also in the last year, many projects were carried out in order to increase engagement between Halk Invest branches and the bank itself and organize training sessions.

Reports were compiled, featuring target achievement analyses, targeting, passive customer analyses in order to improve efficiency of sales activities. These reports were later shared with sales teams. With quarterly performance meetings, the performance evaluations of all Halk Invest branches were carried out through most detailed analyses.

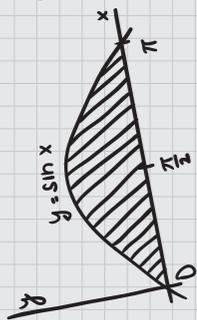
Having embraced the projection that the future develops around e-marketing field, Halk Invest started the test run of www.yatirimdialog.com, a new financial portal in 2014. Built around the plan to contribute on financial literacy, Halk Invest aims to provide service to a broader part of society.



Your place is your identity.

Data can be grouped and segmented.

The career planning at Halk Invest is being established by taking different aspects into consideration under the code of human resources, such as current term performance of staff, behavioural and individual competencies, professional knowledge and skills and executive capacity.



HUMAN RESOURCES

"The probability after observation is equal to the multiplication of the probability of observation and the probability before the observation." Seems very confusing at first glance, this sentence is the verbal explanation of famous Bayes' Theorem, a well-known theorem among mathematicians. The Bayes formula, introduced by the 18th century English mathematician Rev. Thomas Bayes, created an alternative to traditional science of statistics with "conditional probability" also known as the Bayesian statistics. From this aspect, the theorem contributed on many causes old as the history of humankind, including the fight against crime and epidemic illnesses.

The theorem has limitless correspondence in investment. Instead of embracing the probability approach based on numerical data, Bayesian philosophy adds "causality" to calculations by treating subjective degrees of belief as probabilities. Don't we see beliefs, thoughts and probabilities in human nature, which are required to be evaluated independent from numerical data? This is how Halk Invest sees the concept of human resources.

Prior to making a decision, Halk Invest focuses on to improve and develop its human resources management approach within the perspective of evaluating human resources as a strategically important notion in financial industry.

The Human Resources Policy of Halk Invest aims to continuously improve

the individual and team performances through quality assuring processes and systems and also provide a working environment which offers career improvement opportunities to Halk Invest staff, in order to use current human resources in most efficient way.

At Halk Invest, processes for hiring, career planning, performance management and training programs for employees' personal and professional development are all being designed and managed on the basis of efficiency.

The career planning at Halk Invest is being established by taking different aspects into consideration under the code of human resources, such as current term performance of staff, behavioural and individual competencies, professional knowledge and skills and executive capacity.

Wage management at Halk Invest, is being done based on a certain wage scale, in which business values for each position is take under consideration as well as current conditions while periodical performance of the staff is being reflected on wages.

A total of 48 new members joined the Halk Invest family in 2014. The current number of employees in the company reached 134 people as of 31 December 2014. The average seniority of the staff is 4 years. The average age of employees is 34. Based on the level of education, the 96% of the staff received higher education while 4% is high school graduate.

INFORMATION TECHNOLOGIES

Algorithm is a present from the 8th century Islamic scholar Al-Khwarizmi to mathematicians and computer engineers. Algorithm is the key notion that drives today's calculators, computers and supercomputers with efficiency. In a way, Algorithm is a guideline which shows the infrastructure of a certain operation. Once the infrastructure is provided, it indicates which operation is going to be carried out in a certain order. Literally applying the operational guideline is the key for successful results.

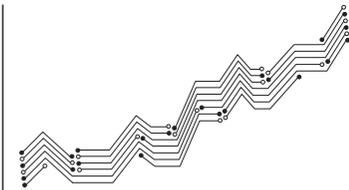
Writing an algorithm and preparing the infrastructure of an operation is a highly serious work. One has to pick the most convenient way for any work that has to be done. Although they give results fast, some algorithms' results are wrong and vice versa. In today's world, the key concept that efficiently and quickly drives institutions is a successfully established and managed infrastructure. The Information Technologies Unit of Halk Invest uses the most convenient algorithm at the most appropriate time.

Halk Invest Information Technologies Unit has top end functionality for achieving customer satisfaction. Making latest technology and infrastructure investments is the key for providing secure, fast and uninterrupted services.

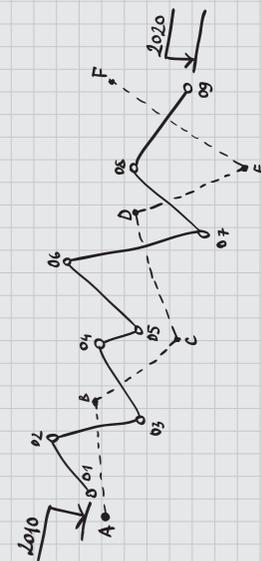
Halk Invest Information Technologies Unit continuously makes necessary high technology investments in virtual portal and trading platforms (share certificates, forex, etc.) in order to allow Halk Invest to provide its products and services matching with customers' needs.

Halk Invest is focused on making its technology investments simultaneously with developments in the industry.

The total rate of directed trade orders via Halk Invest's electronic trading platforms is around 85%. This rate, which is highly above than industry average is a result of Halk Invest's investments on technology.



Making latest technology and infrastructure investments is the key for providing secure, fast and uninterrupted services.



Each person is a probability.

Infrastructure planning is crucial.

Operations Unit configured operational services in accordance with General Custody identity, which the company will retain once the required permissions are granted with legislative arrangements made within the year; lead the commencement of FATCA Process at Halk Invest and ensured the commencement of company's transactions within Turkey Electronic Fund Distribution Platform.

OPERATIONS

*German mathematician Georg Cantor once stated that the infinity of real numbers is bigger than the infinity of natural numbers. He also stated that sets to be picked from these two lines are equal in terms of the number of elements. So, is it possible to find a set of real numbers which neither to be matched with natural numbers, nor real numbers? **The Continuity Hypothesis** is famous with by giving the answer as "no" to this question.*

This, in a way is a hypothesis that brings mathematics and philosophy of mathematics together. It tickles our perception of reality and creates "crises" in our minds. Verification of the answer will make it easier for us to understand the mathematical progressions. Halk Invest Operations Unit looks out for continuity of operations in financial activities to make the flow perfect.

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, information updates, carrying out market obligations on behalf of Halk Invest, carrying out transactions under credit policies, pricing evaluations of investment funds, distributing realized IPOs and giving operational support to Halkbank branches.

Operations Unit configured operational services in accordance with General Custody identity, which the company will retain once the required permissions are granted with legislative arrangements made within the year, lead the commencement of FATCA Process at Halk Invest and ensured the commencement of company's transactions within Turkey Electronic Fund Distribution Platform.

INTERNAL AUDIT: INTERNAL CONTROL AND COMPLIANCE, RISK MANAGEMENT

*"All whales are mammals. All mammals are animals. All whales are animals." This one and other similar arguments are a subject of **logic**. This argument is also the essence of Aristotle's Logic, named after its founder Aristotle. Although the argument is correct in terms of reality, giving data in a different order concludes the same result in mathematical logic. Mathematics plays a crucial role in resolving logical ambiguities in relation with reality.*

In today's world, mathematical logic is an active field, where modern research and applications apply. It searches for truth behind arguments. Halk Invest Internal Audit Unit manages company's logic of regulation.

Internal control activities within the scope of CMB regulations are held by Internal Control and Compliance and Risk Management divisions. The Internal Audit 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 and recently notified legal updates and bringing the solid body and structure of the company to higher levels.

The auditing field of unit covers CMB regulations, related communiques, corporate procedures and Board of Members resolutions.

One other basic principles of the unit are to project the size of risks for the company and identifying the potential benefits for the company while carrying out control activities. Within this respect, 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.

The Internal Audit 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 and recently notified legal updates and bringing the solid body and structure of the company to higher levels.

Operational quality

Logic of legislation, legislation of logic

Mathematical Outlook of Growth

In 1980, something extraordinary happened in New York City USA that mathematicians dreamed of for centuries. A state-of-the art computer was sending its processed data to a printer, for them to be print. The printer was placing black dots on a white sheet through a certain algorithm. When the process was done, Benoit Mandelbrot, who took the paper in his hands, could not believe what he saw. There was a cloudlike shape on the paper, seemed like a black & white picture.

This was the first time ever that a human being met with a fractal. Fractal is a special mathematical pattern. When observed closer, this pattern appears to repeat itself in smaller scales. When we get even closer, we can discover much smaller versions of that pattern. When you look at the leave of a fern, you could easily spot that the fern itself is the repetition of the same pattern.

Fractals can be seen in many things such as caulis, clouds, snow crystals, lightning patterns and many more. The amazing sights that appear when we observe each snowflake closely are the results of fractals. Fractals are used in calculations of things that have vast amount of repetitions such as the growth of sea creatures and leaves, and the expansion of modern cities.

Although they seem independent from each other, processes that are deeply detailed in their entity connect through an amazing mathematical structure to form a great totality. The same philosophy lies beneath the present and the future of Halk Invest. With detailed parts like each snowflake, Halk Invest grows and rises each passing day.

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 the last 76 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 second time and the free float rate of the bank reached to 48.9%.

These IPOs took their place in the history as the biggest and most successful IPOs ever happened in Turkey. In 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 157.3 billion by the end of 2014.

With 76 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

Halk Finansal Kiralama A.Ş., Halk Sigorta A.Ş.,

Halk Hayat ve Emeklilik A.Ş.,

Halk Yatırım Menkul Değerler A.Ş. (Halk Invest),

Halk Gayrimenkul Yatırım Ortaklığı A.Ş.,

Halkbank A.D. Skopje,

Halk Portföy Yönetimi A.Ş.,

Halk Faktoring A.Ş.,

Bileşim Alternatif Dağıtım Kanalları ve

Ödeme Sistemleri A.Ş.

GENIUSES NEVER DIE

In this annual report, we commemorated many big mathematicians such as Fibonacci, Leibniz, Newton and Pascal. But there are two more great mathematicians that we have to mention in this report. One of them is Prof. Cahit Arf, a Turkish mathematician that we sadly lost in 1997, also known with Arf Theorem, which was named after him. The other one is Al-Khwarizmi, the Turkish-Islamic scholar of 9th century, who simply reconstructed the science of mathematics.

Those two geniuses earned a worldwide respect with their contribution to the science of mathematics and earned their places among great scientists ever existed on the stage of history. As Halk Invest we ground on “mathematics” in all our activities.

“Beauty is something that revives the feeling of infinity in humans”

Having worked together with German mathematician Helmut Hasse, Distinguished Professor Cahit Arf marked his name in the world of mathematics by classifying geometrical problems under the condition that they are either solved with a ruler and a compass or not. By only concluding that quadratic and algebraic equations could be solved with a ruler, Mr. Arf introduced the “Arf constant” and became immortal.

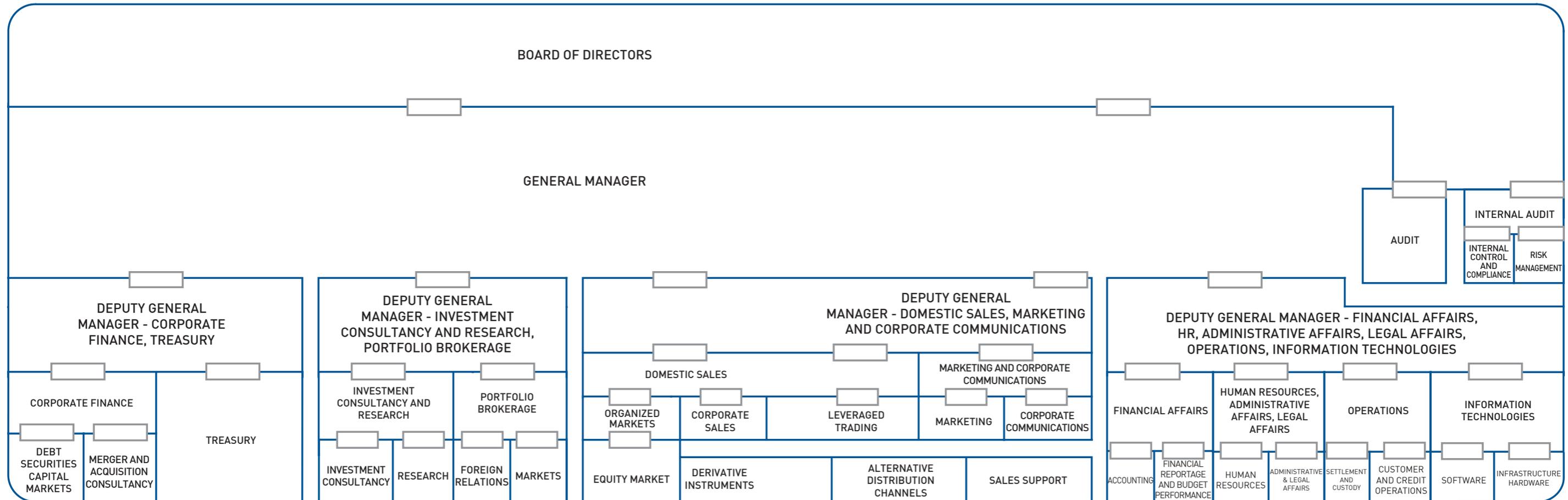
We can see his picture and also his famous theorem on the backside of today’s 10 Turkish Lira bills. Cahit Arf was born in 1910 in Thessalonica. He became a mathematics teacher in Galatasaray High School in 1932, prior to his assistant professorship in Istanbul University Faculty of Science. In 1938, he went to Germany to finish his PhD and became a professor in 1943. Mr. Arf became a Distinguished Professor in 1955. After giving lectures in many high education institutes abroad, he came back to Turkey due to his longing and love for his country overweighed his ambitions. He took part in the foundation of TUBITAK while spreading the love for mathematics to hundreds of his students by playing significant roles in works around science and mathematics in different institutions.

As Halk Invest, we commemorate this great genius who passed away in 1997 and we delightfully refer to his own words by trying to reveal beauties that revive the feeling of infinity in humans.

The father of algebra and algorithm

With a full name as Ebu Abdullah Muhammed bin Musa EL-Harezmi and known as Al-Khwarizmi by modern mathematicians, this great genius is one of the most important figures in the history of mathematics. Born in 780 AD in Karizmi, which is within the borders of today’s Uzbekistan, Al-Khwarizmi started his works at Baghdad Library under the rule of Abbasid Caliphate. He introduced the concept of “algebra” with his renowned work; “EL-Kitab’ül-Muhtasar fi Hisab’il Cebri ve’l-Mukabele”. The Western world embraced the usage of algebra in first and second degree equations through his work, which was translated into Latin. In fact, the term Algebra in Western languages comes from El Cebri in Arabic; only with a different pronunciation. Under the auspices of the Abbasid Caliphate Mem’un, Al-Khwarizmi composed many works which contributed not only to the field of mathematics, but also to astronomy, geography, physics and medicine. By translating Ptolemy’s work “Geography” from Greek to Arabic, Al-Khwarizmi brought the mathematical geography literature of Ancient Greeks to the Islamic world. He even contributed one of the biggest world maps of his time. Died in 850, this Turkish-Islamic scholar is the pride of our country and our region and also the inspiration behind Halk Invest’s values.

Organizational Chart



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

2013 Annual General Meeting was held on 25th 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 2013 statement and 2013 profit; not to pay the TRY 9,000,000 which was the 1st and 2nd Dividend amount allocated for shareholders and instead use the amount for capital increase and to increase the Company capital from TRY 55,000,000 to TRY 64,000,000.

Also, on 22nd of April 2014, without announcement, an extraordinary General Meeting was held in order to discuss the appointment to Board of Directors made after the ordinary General Meeting dated 25th of March, 2014 and to determine the salaries of Board of Directors. At the meeting, it was decided that a new Member to be appointed to the position left by the former member selected at the General Meeting held on 25th of March, 2014 and the net salary which was formerly designated as TRY 2,650 for the Board Members to increase to net TRY 2,875 per month.

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.

Compliance with the Principles of Corporate Governance

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.

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.

Compliance with the Principles of Corporate Governance

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

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

Performance assessment is made at least once a year, employing a system erected on the principles of openness and objectivity, and aims at establishing whether the employee is adequate in his/her job and to identify improvement areas, to determine his/her skills and potential and to steer his/her career planning. Salary management at Halk Invest is carried out for each position individually and relies on a salary scale prepared objectively first on the basis of business values, as well as the current conditions. The salary scale is revised in January every year, and applied to the employees' salaries in accordance with their periodic performance results.

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

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

16. ORGANIZATION CHART

The organization chart is provided on page 38.

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.

On 27th November, 2014, the Company organized the 5th Investors Conferences at Dedeman Hotel, Istanbul to contribute to customers' plan for future financial analyses. The Conferences were attended by Halkbank Commercial and Corporate Branch customers, the Bank's SME customers and large scale individual investors and discussed Turkish economy and predictions within the context of main themes related to global economy and interior equilibrium in 2015; accompanied by a moderator, the analyses and studies on how the main scenarios might be reflected in internal markets were presented by the Director of Investment Consultancy and Research Unit.

17. SOCIAL RESPONSIBILITY

The Company develops and conducts social responsibility policies to increase the value of the "Halk" brand and establish a positive impression in public. Within this framework, between 1st July 2013 and 1st July 2014, in order to protect historical and cultural values, the Company started to sponsor the Aizanoi Ancient City Stock Market Region (Macellum-round structure) which was the world's first stock market, located in Cavdarhisar, Kutahya. Renewing its sponsorship aforementioned for one year as of 1st July, 2014, the Company also supports the effort to list the ancient city on the UNESCO's World Heritage Sites.

With the advance of globalization in financial Industries, technological developments, new markets and new financial products and the adoption of the policy to make Istanbul a financial center led financial literacy, trained and qualified human resources to become more critical topics. Within this context, the Company supported the TSPB's "Investor Training Project" in different channels to increase financial literacy, to advance the Industry, to provide sustainable development by utilizing the savings in productive areas. Again in 2015, within this framework

Compliance with the Principles of Corporate Governance

Compliance with the Principles of Corporate Governance

and to provide better education for our children, to heighten their eagerness to attend school, to increase their success and to gain pioneering youth to contribute to the country, the Company will continue with a new corporate social responsibility project and keep supporting the education by providing in cash and in kind aid for Yıllarca Halkbank Şehit Haşim Türkoğlu İlköğretim Okulu (named after our Bank) in Yıllarca, Diyarbakır.

BOARD OF DIRECTORS

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

Murat UYSAL	Chairman
Kadir YAYLAK	Deputy Chairman
Murat ÇETİNKAYA	Board Member/ General Manager
Ayşegül SAYIN	Board Member
Dursun Ali ALEV	Board Member
Elvan ÖZTABAK	Board Member
Levent Nihat GÜLEÇ	Board Member
Serdar SÜRER	Board Member

19. QUALIFICATIONS OF BOARD MEMBERS

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

20. MISSION, VISION AND STRATEGIC OBJECTIVES OF THE COMPANY

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

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

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 106 decisions in the 2014 activity period. None of these decisions received any dissenting views.

24. PROHIBITION OF MAKING TRANSACTIONS WITH THE COMPANY AND COMPETITORS

In the 2014 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 2,300, 687 during 2014.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Financial Statements and Independent Auditors' Report
For the Year Ended 31 December 2014

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Independent Auditors' Report



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

We have audited the consolidated statement of financial position of Halk Yatırım Menkul Değerler Anonim Şirketi (the "Company") and its subsidiary (together the "Group") as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

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

Independent Auditors' Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of Halk Yatırım Menkul Değerler Anonim Şirketi and its subsidiary as at 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting principles and standards (see Note 2) 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 2014, the Group's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Group'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

17 February 2015
Istanbul, Turkey

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Consolidated Statement of Financial Position (Balance Sheet)
as at 31 December 2014

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

	Notes	Audited 31 December 2014	Audited 31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents	3	91.962.025	268.901.325
Financial investments	4	46.940.220	20.129.609
Trade receivables	5	323.680.103	290.316.225
- Trade receivables from related parties	23	86.957	2.071.341
- Other trade receivables	5	323.593.146	288.244.884
Other receivables	8	731.026	666.419
Prepaid expenses	10	299.733	168.503
Current tax assets	21	1.158.561	1.167.132
TOTAL CURRENT ASSETS		464.771.668	581.349.213
Non current assets			
Financial investments	4	1.215.006	5.385.061
Investments in equity accounted investees	9	2.163.007	1.643.589
Tangible assets (net)	11	1.515.391	1.681.588
Intangible assets (net)	12	455.932	304.619
TOTAL NON CURRENT ASSETS		5.349.336	9.014.857
TOTAL ASSETS		470.121.004	590.364.070
LIABILITIES			
Current liabilities			
Financial liabilities	6	56.073.362	263.467.755
Trade payables	5	318.692.869	249.500.192
- Trade payables to related parties	23	23.649	829.391
- Other trade payables	5	318.669.220	248.670.801
Other payables	8	870.538	769.541
Derivative instruments	7	--	26.849
Deferred tax liabilities	21	2.258.906	248.992
Short term provisions		2.156.490	1.951.147
-Employee benefits	14	1.722.487	1.529.229
-Provisions	13	434.003	421.918
TOTAL CURRENT LIABILITIES		380.052.165	515.964.476
Non current liabilities			
Long term provisions		335.585	263.542
- Employee benefits	14	335.585	263.542
TOTAL NON CURRENT LIABILITIES		335.585	263.542
Equity			
Share capital	15	64.000.000	55.000.000
Restricted reserves		6.282.386	5.725.924
Accumulated other comprehensive income that are or may be reclassified to profit or loss		310.442	3.704.704
- Foreign currency translation differences		23.010	--
- Fair value reserves		287.432	3.704.704
Accumulated other comprehensive income that will never be reclassified to profit or loss		(210.797)	5.655
- Other gains/(losses)		(210.797)	5.655
Retained earnings		143.307	1.015.239
Profit for the year		19.207.916	8.684.530
TOTAL EQUITY		89.733.254	74.136.052
TOTAL EQUITY AND LIABILITIES		470.121.004	590.364.070

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2014

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

	Notes	Audited 1 January – 31 December 2014	Audited 1 January – 31 December 2013
Sales revenue	16	398.461.517	267.443.299
Cost of sales	16	(367.672.589)	(234.667.927)
GROSS PROFIT		30.788.928	32.775.372
General administrative expenses	17	(21.426.057)	(19.667.501)
Marketing expenses	17	(5.275.353)	(5.789.132)
Other operating income (from operating activities)	19	1.557.100	955.096
Other operating expenses (from operating activities)	19	(168.377)	(91.061)
OPERATING PROFIT		5.476.241	8.182.774
Investment income	4	3.669.625	--
Share of profit/(expense) of equity accounted investees	9	581.918	337.296
OPERATING PROFIT BEFORE FINANCE COSTS		9.727.784	8.520.070
Finance income	20	39.469.417	23.307.909
Finance costs	20	(25.841.611)	(21.027.826)
PROFIT BEFORE TAXATION		23.355.590	10.800.153
Tax expense			
- Current income tax expense	21	(2.083.647)	(2.311.669)
- Deferred tax income/(expense)	21	(2.064.027)	196.046
PROFIT FOR THE YEAR		19.207.916	8.684.530
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		(3.417.272)	1.342.389
Foreign currency translation differences		23.010	--
Items that will never be reclassified to profit or loss			
Other gains/(losses)		(270.565)	7.069
Deferred tax benefit/charge for items never be reclassified to profit or loss		54.113	(1.414)
TOTAL COMPREHENSIVE INCOME		15.597.202	10.032.574

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
**Consolidated Statement of Changes in Equity For the Year
 Ended 31 December 2014**

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

	Note	Paid-in capital	Items that are or may be reclassified to profit or loss		Items that will never be reclassified to profit or loss		Retained earnings		Equity
			Foreign currency translation differences	Fair value reserve	Other gains/ losses	Restricted reserves	Retained earnings	Profit for the year	
1 January 2013		46.000.000	--	2.362.315	--	5.112.915	569.272	10.058.976	64.103.478
Transfers		--	--	--	--	613.009	9.445.967	(10.058.976)	--
Profit for the year		--	--	--	--	--	--	8.684.530	8.684.530
Other comprehensive income		--	--	1.342.389	5.655	--	--	--	1.348.044
- Remeasurement of reserve for employee benefits' gain/(loss)	15	--	--	--	5.655	--	--	--	5.655
- Change in fair value of available for sale financial assets, net	15	--	--	1.342.389	--	--	--	--	1.342.389
Total comprehensive income		--	--	1.342.389	5.655	--	--	8.684.530	10.032.574
Capital increase	15	9.000.000	--	--	--	--	(9.000.000)	--	--
Balance at 31 December 2013		55.000.000	--	3.704.704	5.655	5.725.924	1.015.239	8.684.530	74.136.052
1 January 2014		55.000.000	--	3.704.704	5.655	5.725.924	1.015.239	8.684.530	74.136.052
Transfers		--	--	--	--	556.462	8.128.068	(8.684.530)	--
Profit for the year		--	--	--	--	--	--	19.207.916	19.207.916
Other comprehensive income		--	23.010	(3.417.272)	(216.452)	--	--	--	(3.610.714)
- Remeasurement of reserve for employee benefits' gain/(loss)	15	--	--	--	(216.452)	--	--	--	(216.452)
- Change in fair value of available for sale financial assets, net	15	--	--	(3.417.272)	--	--	--	--	(3.417.272)
- Foreign currency translation differences		--	23.010	--	--	--	--	--	23.010
Total comprehensive income		--	23.010	(3.417.272)	(216.452)	--	--	19.207.916	15.597.202
Capital increase	15	9.000.000	--	--	--	--	(9.000.000)	--	--
Balance at 31 December 2014		64.000.000	23.010	287.432	(210.797)	6.282.386	143.307	19.207.916	89.733.254

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
**Consolidated Statement of Cash Flows For the Year
 Ended 31 December 2014**

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

		Audited	Audited
	Notes	1 January – 31 December 2014	1 January – 31 December 2013
A. Cash flows from operating activities		56.528.068	16.481.265
Profit for the year		19.207.916	8.684.530
Adjustments for:			
Depreciation and amortisation	17	1.102.762	963.472
Adjustments related to provisions		1.421.703	1.407.921
- Adjustments for provision expense for doubtful receivables	5	46.981	32.596
- Adjustments for provision expense for severance pay liability	14	89.779	76.518
- Adjustments for provision for unused vacations	14	152.858	239.074
- Adjustments for provision for personnel dividend premium	14	1.120.000	951.683
- Adjustments for other provisions	13	12.085	108.050
Adjustments related to tax expense		4.147.674	2.115.623
- Adjustments for income tax expense	21	2.083.647	2.311.669
- Adjustments for deferred tax expense/(income)	21	2.064.027	(196.046)
Adjustments related to interest expense/income		(5.520.068)	(10.999.534)
- Adjustments related to interest income	16,20	(27.557.909)	(31.071.468)
- Adjustments related to interest expense	20	22.037.841	20.071.934
Investments in equity accounted investees	9	(581.941)	(337.296)
Adjustments related to profit/loss reconciliation		--	812.518
- Adjustments related to dividend income		--	(7.728)
- Adjustments related to bonus premium expense		--	820.246
Changes in working capital			
Adjustments related to change in trade receivables		(33.410.859)	(83.841.881)
Adjustments related to change in trade payables		72.291.396	41.013.131
Adjustments related to change in financial investments (short term financial assets)		(27.358.923)	30.950.679
Other adjustments to working capital		(94.841)	38.891
Cash flows from operating activities			
Interest received		28.703.703	30.048.938
Dividends received		62.523	7.728
Taxes paid	21	(2.075.076)	(3.417.919)
Vacation pay liability payments	14	(127.917)	(58.343)
Employee termination benefit payments	14	(288.301)	(86.947)
Bonus premium payments		(951.683)	(820.246)
B. Cash flows from investing activities:		(335.094)	(903.442)
Adjustments related to change in financial investments (long term financial assets)		752.783	(250.004)
Acquisitions of tangible assets	11	(708.146)	(532.277)
Acquisitions of intangible assets	12	(379.731)	(121.161)
C. Cash flows from financing activities		(229.459.083)	95.610.980
Financial liabilities		(208.515.787)	117.191.343
Interest paid		(20.943.296)	(21.580.363)
Net cash flows before effect of change in exchange rates on cash and cash equivalents (A+B+C)		(173.266.109)	111.188.803
D. Effect of change in exchange rates on cash and cash equivalents		23.010	--
Net change in cash and cash equivalents (A+B+C+D)		(173.243.099)	111.188.803
E. Cash and cash equivalents at the beginning of the period	3	256.578.228	145.389.425
Cash and cash equivalents at the end of the period (A+B+C+D+E)	3	83.335.129	256.578.228

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARY
**Notes to the consolidated financial statements
 As at and for the Year Ended 31 December 2014**

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

1 Organisation and operations of the Group

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 Group 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. 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.

The main area of activity of Group's subsidiary Halk Invest Ltd., which is consolidated to Group's accompanying consolidated financial statements, is to mediate its clients on their Turkish Capital Market transactions in the name of the Group and Halk Bankası A.Ş.

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

	31 December 2014	31 December 2013
T. Halkbankası AŞ	99,96%	99,94%
Other	0,04%	0,06%
Total	100,00%	100,00%

As at 31 December 2014, the Group has 136 employees (31 December 2013: 123). The Group operates with 10 branches (31 December 2013: 10).

1 Organisation and operations of the Group (continued)

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

Branch addresses of the Group are as follows:

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

İstanbul Branch : Halide Edip Adivar Mah. Darülaceze Cad. No: 20 Zemin kat 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

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

Antalya Branch : Kırcaamii 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

1 Organisation and operations of the Group (continued)

As of 31 December 2014, the details of the Group's subsidiaries and associates, which is consolidated, are presented below:

Subsidiaries:

Company	Share (%)	Foundation and operation place	Main operation area
Halk Invest Ltd.	100	London/England	Brokerage House

Halk Invest Ltd. is evaluated according to full consolidation method in the attached consolidated financial statements. The operation of subsidiary is explained below:

Halk Invest Ltd.

Halk Invest Ltd. was established in London on 2 June 2014 with the capital amounted GBP 300.000. The purpose of the subsidiary which has been getting operation permission from English authorities, is intermediation in Turkey capital market transactions to the clients at England in behalf of the Group and T. Halk Bankası AŞ.

Halk Yatırım Menkul Değerler AŞ owns 100% shares of Halk Invest Ltd. which is registered by UK Trade Register (Companies House) in 1 October 2013 in order to operate in international financial and capital markets. Per discussions between the consultants of Halk Invest Ltd. and FCA (England Financial Management Authority) during the process of submitting the operating authorisation application of Halk Invest Ltd. to FCA, the Company noticed that the expectations of FCA among the structure of the company is beyond the feasibility expectations of the organization as a result of the EU capital market legislation accepted on 2 April 2014 (Markets in Financial Instruments Directive 2).

Therefore, on 23 December 2014, it is decided to discharge and terminate the trials for obtaining licence instead of configuring Halk Invest Ltd according to FCA's demands.

Associates

Details of the Group's associates are presented below:

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

Halk Portföy Yönetimi AŞ is accounted for using the equity method in the attached consolidated 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 Group is to operate in capital market activities in accordance with Capital Board Markets of Turkey.

2 Basis of presentation of the consolidated financial statements

2.1. Basis of presentation

2.1.1. Statement of compliance

The accompanying consolidated 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 consolidated financial statements as at and for the year ended 31 December 2014 have been approved by the Board of Directors of the Group and authorised for issue as at 17 February 2015. General Assembly has the discretion of making changes in the accompanying consolidated financial statements after their issuance.

2.1.2. The preparation of consolidated financial statements

The consolidated 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 Group applied on the consolidated financial statements as at and for the year ended 31 December 2014 are same with the accounting policies used for preparation of financial statements for the same year ended on the same date.

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

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

2.1. Basis of presentation (continued)

2.1.4. Comparative information

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

2.1.5. Foreign currency transactions

Transactions in foreign currencies have been translated into TRY at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY 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 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
US Dollar ("USD")	2,3189	2,1343
Sterling ("GBP")	3,5961	3,5114

2.1.6. Segment reporting

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

2.1.7. Basis of consolidation

The attached financial statements represents the Company and its subsidiary's accounts as specified below "Subsidiaries" clause. During the preparation of financial statements of subsidiaries, required adjustments and reclassifications have done to the legal records with according to the reporting standards and accounting policies and presentation of the Group.

2.1.8. Subsidiaries

Subsidiaries are entities that the Group has the power to direct or indirect control over the operations. The Group has the variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has the executive power on financial and operational policies of its subsidiaries therefore it has share on the results of operations of the subsidiaries. In determining of the control power, existing and convertible voting rights are considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

As of 31 December 2014, the Group owns 100% of Halk Invest Ltd. Due to the Group has full control power on the activities of Halk Invest Ltd, Halk Invest Ltd's financial statements are included in the accompanying consolidated financial statements by full consolidation method.

2 Basis of presentation of the consolidated financial statements*(continued)***2.1.9. Transactions eliminated on consolidation**

Halk Invest Ltd's statement of financial position and income statement are included in consolidated financial statements by full consolidation method and Halk Invest Ltd.'s carrying amount which is recognized as subsidiaries in accounting records of the Company and equity which is reflected in the Halk Invest Ltd's accounting records are eliminated. Intra-group balances and transactions, and any unrealised income and expense arising from intra group transactions are eliminated in the accompanying consolidated financial statements. The accounting policies of the subsidiary are changed as necessary to align them with the policies adopted by the Group.

All intra-group transactions, balances, income and expenses are eliminated in consolidation.

2.1.10. Comparative information

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

2.2. Changes in accounting policies, estimates and errors

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

2.3. Changes in accounting estimates and errors

The preparation of the consolidated 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 Group are included in the following notes:

Note 4 – Financial investments

2 Basis of presentation of the consolidated financial statements*(continued)***2.3. Changes in accounting policies, estimates and errors *(continued)*****Fair value measurement**

The Group'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 2014**2.4.1. Standards, amendments and interpretations to existing standards effective in 2014**

The Group applied all of the relevant and required standards promulgated by POA and the interpretations of POA as at 31 December 2014.

2.4.2. New standards and interpretations not yet adopted as at 31 December 2014

Group implemented all of the admissible and compulsory standards and annotations of POA as at 31 December 2014. Certain new standards, which are not yet effective as of 31 December 2014, 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. Group is not planning to apply this standard earlier and the effects related to mentioned changes have not been evaluated.

2. Basis of presentation of the consolidated 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 Group's management occurs related to the uncertainty of the collection.

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

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

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

Service income

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

Other

The Group 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. Basis of presentation of the consolidated financial statements (continued)

2.5. Summary of significant accounting policies (continued)

2.5.2. Tangible assets

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

Costs refer to expenditures directly related to acquisition of assets.

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

Depreciation

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

The estimated useful lives of tangible assets are as follows:

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 TRYunits 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. Basis of presentation of the consolidated financial statements (continued)

2.5. Summary of significant accounting policies (continued)

2.5.4. Investments in associates

Associates are those entities in which the Group 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 consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group'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 Group has an obligation or has made payments on behalf of the investee.

2.5.5. Financial instruments

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

Financial assets

The Group recognises its trade and other receivables on the date that they are originated. All other financial assets are recognised on the transaction date that it becomes a party for related financial agreements. The Group 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 Group 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 Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group'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.

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

2.5. Summary of significant accounting policies (continued)

2.5.5. Financial instruments (continued)

Available-for-sale financial assets

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

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as available-for-sale financial assets and are measured at fair value. The Group 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 Group'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 Group's derivative financial instruments consist of forward foreign exchange and currency swap transactions. The Group 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.

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

2.5. Summary of significant accounting policies (continued)

2.5.5. Financial instruments (continued)

Capital

Common stock

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

2.5.6. Impairment of assets

Financial assets

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

For financial assets and loans carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The Group 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 Group'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 consolidated 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. Basis of presentation of the consolidated financial statements (continued)

2.5. Summary of significant accounting policies (continued)

2.5.9. Foreign currency transactions

Transactions in foreign currencies have been translated into TRY at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into TRY 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 Group are not traded at stock exchange, earnings per share is not calculated in the accompanying consolidated financial statements.

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 consolidated 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 Group adjusts its consolidated 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 consolidated financial statements according to subsequent events, these subsequent events must be disclosed in the notes to the consolidated 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 Group 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 Group 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 Group 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 Group are operational leasing.

The Group as lessor

There are not any transactions of the Group as lessor.

The Group 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. Basis of presentation of the consolidated financial statements (continued)

2.5. Summary of significant accounting policies (continued)

2.5.14. Related parties

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

2.5.15. Segment reporting

An operating segment is a component of the Group 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 Group'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 Group 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 consolidated 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 consolidated financial statements as net. However, deferred tax asset and liabilities originating from the subsidiaries are presented separately in the assets and liabilities of the consolidated 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.

2. Basis of presentation of the consolidated 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 Group 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 consolidated financial statements.

The Group 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 Group 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 Group 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 Group presents statement of cash flows as an integral part of other consolidated financial statements to inform the users of consolidated 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 Group. 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 Group. Cash flows relating to financing activities express sources of financial activities and payment schedules of the Group. 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 Group's bank accounts are excluded from the sum of the cash and cash equivalent in the statement of cash flows.

3 Cash and cash equivalents

As at 31 December 2014 and 31 December 2013, cash and cash equivalents are as follows:

	31 December 2014	31 December 2013
Cash at banks ^(*)	89.828.236	267.832.783
- Time deposits	79.785.604	255.314.345
- Demand deposits	10.042.632	12.518.438
Receivables from reverse repurchase agreements	2.133.789	1.068.542
Petty cash	--	--
Cash and cash equivalents on statement of financial position	91.962.025	268.901.325
Interest income accruals on cash and cash equivalents	(792.396)	(1.389.878)
Customer assets ^(**)	(7.834.500)	(10.933.219)
Cash and cash equivalents on statement of cash flows	83.335.129	256.578.228

As at 31 December 2014, TRY 6.019.208 of cash at banks (31 December 2013: TRY 220.102.167) is held on time deposit accounts of T. Halkbankası AŞ which is main shareholder of the Group, TRY 9.065.028 of cash at banks is on demand deposit accounts (31 December 2013: TRY 11.843.521).

As at 31 December 2014, maturity of receivables from reverse repurchase agreements is 1 day and interest rate is 7,97% (31 December 2013: 1 day maturity, 6,65% interest rate).

^(*) TRY 7.834.500 (31 December 2013: TRY 10.933.219) of bank accounts are customer assets which are not yet invested and evaluated with its own deposit accounts of the Group as at 31 December 2014.

^(**) Customer assets amounting to TRY 375.128 are not included due to used for operations.

3 Cash and cash equivalents (continued)

As at 31 December 2014 and 31 December 2013, the details of time deposits are as follows:

	31 December 2014				31 December 2013			
	Interest rate (%)	Maturity	Currency	Amount	Interest rate (%)	Maturity	Currency	Amount
Other	10,30	16.01.2015	TRY	20.248.329	9,40	TRY	10.01.2014	15.104.301
Other	10,45	19.01.2015	TRY	10.131.699	9,40	TRY	11.10.2013	10.054.082
Other	10,40	15.01.2015	TRY	10.122.521	9,35	TRY	06.11.2013	10.053.795
Other	10,15	14.01.2015	TRY	10.116.795	--	TRY	--	--
Other	10,20	20.01.2015	TRY	10.108.986	--	TRY	--	--
Other	11,75	02.02.2015	TRY	8.181.894	--	TRY	--	--
Other	10,60	07.01.2015	TRY	4.848.789	--	TRY	--	--
T. Halk Bankası AŞ	11,30	30.01.2015	TRY	2.503.096	9,35	TRY	16.01.2014	40.225.425
T. Halk Bankası AŞ	11,00	27.03.2015	TRY	2.468.727	9,45	TRY	14.01.2014	30.178.644
T. Halk Bankası AŞ	8,00	02.01.2015	TRY	550.241	9,45	TRY	08.01.2014	20.134.630
T. Halk Bankası AŞ	1,50	02.01.2015	GBP	504.530	9,45	TRY	15.01.2014	20.119.096
T. Halk Bankası AŞ	--	--	--	--	9,45	TRY	17.01.2014	20.119.096
T. Halk Bankası AŞ	--	--	--	--	9,35	TRY	15.01.2014	20.112.712
T. Halk Bankası AŞ	--	--	--	--	9,30	TRY	17.01.2014	20.107.014
T. Halk Bankası AŞ	--	--	--	--	9,35	TRY	20.01.2014	12.661.326
T. Halk Bankası AŞ	--	--	--	--	9,35	TRY	01.11.2013	10.051.233
T. Halk Bankası AŞ	--	--	--	--	9,70	TRY	03.02.2014	7.579.733
T. Halk Bankası AŞ	--	--	--	--	6,00	TRY	02.01.2014	5.900.970
T. Halk Bankası AŞ	--	--	--	--	9,50	TRY	26.11.2013	4.461.610
T. Halk Bankası AŞ	--	--	--	--	9,45	TRY	20.01.2014	4.014.499
T. Halk Bankası AŞ	--	--	--	--	9,75	TRY	25.11.2013	2.974.407
T. Halk Bankası AŞ	--	--	--	--	9,45	TRY	09.01.2014	1.461.772
Total				79.785.607				255.314.345

As at 31 December 2014 and 31 December 2013, there is no blockage on cash and cash equivalents of the Group.

4 Financial investments**Short term financial assets**

As at 31 December 2014 and 31 December 2013, short term financial investments are as follows:

Financial assets at fair value through profit or loss

	31 December 2014		31 December 2013	
	Nominal value	Carrying value	Nominal value	Carrying value
Government bonds	17.000.000	16.882.144	3.618.000	3.889.190
Private sector bonds	11.276.462	11.240.654	8.281.233	8.411.399
Equity securities	4.509.844	18.817.422	3.205.416	7.829.020
Investment funds	--	--	--	--
Total		46.940.220		20.129.609

As at 31 December 2014, government bonds with nominal value TRY 1.000.000 (31 December 2013: TRY 1.030.000) and carrying value of TRY 993.580 (31 December 2013: TRY 1.006.567) is pledged as collateral at Turkish Derivatives Exchange and nominal value TRY 700.000 and TRY 600.000 (31 December 2013: None) and the book value TRY 669.613 and TRY 573.954 (31 December 2013: None) worth of government bonds are hold as deposit payments in care of BİST.

Long term financial assets

As at 31 December 2014 and 31 December 2013, long term financial assets are as follows:

Available for sale financial assets

Share investments	31 December 2014		31 December 2013	
	Carrying value	Ownership rate (%)	Carrying value	Ownership rate (%)
Halk Faktoring AŞ ⁽¹⁾	739.205	1,240	553.063	1,250
Halk Gayrimenkul Yatırım Ortaklığı AŞ	307.586	0,038	310.128	0,052
Borsa İstanbul AŞ ⁽³⁾	159.711	0,038	159.711	0,004
Ziraat Portföy Yönetimi AŞ ⁽²⁾	8.500	0,100	2.225	0,100
Halk Finansal Kiralama AŞ ⁽¹⁾	4	--	6	--
Halk Hayat ve Emeklilik AŞ ⁽¹⁾	--	--	4.359.928	0,590
Total	1.215.006		5.385.061	

⁽¹⁾ All of the shares belonging to Halk Hayat ve Emeklilik AŞ are sold to T. Halkbank AŞ, and TRY 40.000 nominal valued portion of Halk Faktoring AŞ's shares in addition to TRY 4 nominal valued portion of Halk Finansal Kiralama AŞ's shares are sold to Alternatif Dağıtım Kanalları ve Ödeme Sistemleri AŞ. The Group gained TRY 3.669.625 from these sale operations in the current period.

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

⁽³⁾ According to 6362 numbered Capital Markets Board of Turkey's ("CMB") 138th clause's a article, "After registration and announcement of main agreement, 4% of shares of Borsa İstanbul distributed to Borsa İstanbul's member, 0.3% of shares of Borsa İstanbul is distributed to Precious Metals and Diamond Markets of İstanbul's member without charge and 1% of shares of Borsa İstanbul is distributed to Turkish Capital Market's Association" and regarding to this clause, 15.971.094 of shares is distributed without charge to the Group by Borsa İstanbul's 4 July 2013 dated and 2013/17 numbered decision of Board of Directory.

5 Trade receivables and payables**Trade receivables**

As at 31 December 2014 and 31 December 2013, trade receivables of the Group are as follows:

	31 December 2014	31 December 2013
Receivables from Stock Exchange Money Market ("SEMM") ⁽¹⁾	282.510.000	218.476.000
Receivables from loan customers ⁽²⁾	27.019.348	60.721.458
Collaterals given to TDE ⁽³⁾	7.298.718	6.926.160
Leveraged trading collaterals ⁽⁴⁾	5.081.782	789.618
Receivables from customers	1.115.298	1.331.648
Collaterals given for borrowed securities	568.000	--
Receivables from related parties (Note 23)	86.957	2.071.341
Doubtful trade receivables	35.181	32.596
Provision for doubtful trade receivables	(35.181)	(32.596)
Total	323.680.103	290.316.225

⁽¹⁾ Receivables related with sales transactions made at SEMM on behalf of customers by the Group.

⁽²⁾ As at 31 December 2014, average interest rate of the loans which were used by customers, are 16,75% (31 December 2013: 13,70%).

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

⁽⁴⁾ 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 2014 and 31 December 2013, movement of doubtful receivables are as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Balance at the beginning of the year	32.596	20.460
Allowance provided during the year	46.981	32.596
Collections during the year	(44.396)	(20.460)
Balance at the end of the year	35.181	32.596

5 Trade receivables and payables (continued)**Trade payables**

As at 31 December 2014 and 31 December 2013, trade payables are as follows:

	31 December 2014	31 December 2013
Payables to Stock Exchange Money Market	282.510.000	218.476.000
Funds provided under repurchase agreement	14.598.348	10.954.781
Payables to customers	8.209.628	10.933.219
TDE collaterals	7.298.718	6.926.160
Leveraged trading collaterals	5.089.102	789.618
Guarantees received for lend securities	568.000	--
Payables to suppliers	395.424	422.975
Payables to related parties (Note 23)	23.649	829.391
Other Trade Payables	--	168.048
Total	318.692.869	249.500.192

6 Financial liabilities

As at 31 December 2014 and 31 December 2013, financial liabilities of the Group are as follows:

	31 December 2014	31 December 2013
Payables to Stock Exchange Money Market	56.073.362	263.467.755
Total	56.073.362	263.467.755

As at 31 December 2014, letter of guarantees amounting to TRY 135.000.000 are given as collateral for debts to Stock Exchange Money Market (31 December 2013: TRY 327.800.000).

As 31 December 2014 and 31 December 2013, the Group's financial liabilities are as follows:

	31 December 2014			31 December 2013		
	Interest rate (%)	Maturity	Amount	Interest rate (%)	Maturity	Amount
SEMM	10,25	05.01.2015	10.539.373	8,60-8,65	17.01.2014	47.632.418
SEMM	10,40	06.01.2015	8.006.508	8,70	15.01.2014	40.206.227
SEMM	10,80	30.01.2015	8.004.497	8,60-8,65	14.01.2014	40.203.425
SEMM	10,63	09.01.2015	7.502.076	8,60-8,65	16.01.2014	40.199.960
SEMM	10,30	02.01.2015	5.016.423	3,10-8,45	02.01.2014	25.804.485
SEMM	9,55	07.01.2015	4.840.956	8,80	08.01.2014	20.120.519
SEMM	9,37	02.01.2015	4.743.165	8,30	03.01.2014	20.091.961
SEMM	10,70	06.01.2015	3.636.012	8,50-8,80	10.01.2014	15.093.864
SEMM	9,37	02.01.2015	2.258.554	8,60-8,65	20.01.2014	12.654.291
SEMM	10,70	07.01.2015	1.107.308	8,65	09.01.2014	1.460.605
SEMM	10,30	07.01.2015	244.394	--	--	--
SEMM	10,60	02.02.2015	174.096	--	--	--
Total			56.073.362			263.467.755

7 Derivative liabilities

As at 31 December 2014 and 31 December 2013, derivative liabilities of the Group are as follows:

	31 December 2014	31 December 2013
Liabilities from derivative financial instruments	--	26.849
Total	--	26.849

As at 31 December 2014, the Group does not have any liabilities due to derivative financial instruments (31 December 2013: the nominal value of short positioned foreign currency swap contract was GBP 37.800 equivalent of TRY 132.701, whose fair value was TRY 7.571, and the nominal value of long positioned foreign currency swap contract was USD 250.000 equivalent of TRY 533.575, whose fair value was TRY 19.278).

8 Other receivables and payables**Other receivables**

As at 31 December 2014 and 31 December 2013, other receivables are as follows:

	31 December 2014	31 December 2013
TDE collaterals ^(*)	496.215	585.909
Rent deposits	135.933	--
Receivables from personnel	13.589	10.021
Other	85.289	70.489
Total	731.026	666.419

^(*) Consists of cash collaterals on behalf of the Group which are given to Settlement and Custody Bank.**Other payables**

As at 31 December 2014 and 31 December 2013, other payables are as follows:

	31 December 2014	31 December 2013
Taxes and dues payable	850.929	769.541
Other	19.609	--
Total	870.538	769.541

9 Investments in equity accounted investees

Associations	Share (%)		Main operational area
	31 December 2014	31 December 2013	
Halk Portföy ^(*)	25,00	25,00	Portfolio management
31 December 2014			
Total assets		9.572.635	7.091.152
Total liabilities		(920.608)	(516.794)
Net assets		8.652.027	6.574.358
Group's share in equity accounted investees		2.163.007	1.643.589
Investments in equity accounted investees		2.163.007	1.643.589
31 December 2014			
Total income		6.537.666	4.686.858
Net profit / (loss) for the period		2.327.673	1.349.184
Other comprehensive income		88	(12.180)
Share of profit/(loss) for the year of equity accounted investees		581.918	337.296
Share of profit or loss and other comprehensive income of equity accounted investees		581.918	334.251

^(*) 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 Group paid TRY 1.250.000 in cash for the 25% share of Halk Portföy Yönetimi AŞ. Halk Portföy Yönetimi AŞ's share capital is comprised of 5.000.000 shares each having a nominal value of TRY 1.

10 Other current assets

As at 31 December 2014 and 31 December 2013, other current assets are as follows:

	31 December 2014	31 December 2013
Prepaid expenses	299.733	168.503
Total	299.733	168.503

11 Tangible assets

For the years ended 31 December 2014 and 31 December 2013, movement of the tangible assets are as follows:

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
Opening balance, 1 January 2013	439.891	2.048.807	1.521.598	4.010.296
Additions	209.817	131.922	190.538	532.277
Disposals	--	--	--	--
Ending balance, 31 December 2013	649.708	2.180.729	1.712.136	4.542.573
Opening balance, 1 January 2014	649.708	2.180.729	1.712.136	4.542.573
Additions	251.492	181.546	275.108	708.146
Disposals	--	--	--	--
Ending balance, 31 December 2014	901.200	2.362.275	1.987.244	5.250.719
Accumulated depreciation				
Opening balance, 1 January 2013	170.326	1.236.003	705.925	2.112.254
Current year charge	112.543	324.638	311.550	748.731
Disposals	--	--	--	--
Ending balance, 31 December 2013	282.869	1.560.641	1.017.475	2.860.985
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
Net book value				
1 January 2013	269.565	812.804	815.673	1.898.042
31 December 2013	366.838	620.088	694.662	1.681.588
31 December 2014	441.342	474.914	599.135	1.515.391

As at 31 December 2014, total insurance on tangible assets are amounting to TRY 2.983.250 (31 December 2013: TRY 2.933.250).

12 Intangible assets

For the years ended 31 December 2014 and 31 December 2013, movement of the intangible assets are as follows:

	Software
Cost	
Opening balance, 1 January 2013	1.430.606
Additions	121.161
Ending balance, 31 December 2013	1.551.767
Opening balance, 1 January 2014	1.551.767
Additions	379.731
Ending balance, 31 December 2014	1.931.498
Accumulated amortisation	
Opening balance, 1 January 2013	1.032.407
Current year charge	214.741
Ending balance, 31 December 2013	1.247.148
Opening balance, 1 January 2014	1.247.148
Current year charge	228.418
Ending balance, 31 December 2014	1.475.566
Net book value	
1 January 2013	398.199
31 December 2013	304.619
31 December 2014	455.932

As at 31 December 2014 and 31 December 2013, the Group does not have any internally developed intangible assets.

13 Provisions, contingent assets and liabilities**Provisions**

As at 31 December 2014 and 31 December 2013, short-term provisions are as follows:

	31 December 2014	31 December 2013
Lawsuit provisions	210.666	92.928
Agency expense participation accruals	44.330	72.909
Telephone expense accruals	28.501	29.475
Share-bond market participation accruals	18.122	5.090
Account maintenance fee expense provisions	12.578	13.014
Central Registry Agency ("CRA") Settlement and Custody Bank commission accruals	2.405	18.977
Other expense accruals	117.401	189.525
Total	434.003	421.918

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

As at 31 December 2014 and 31 December 2013, off balance sheet commitments and contingencies are as follows:

Letter of guarantees given

	31 December 2014	31 December 2013
Stock Exchange Money Market Transaction Collaterals (Settlement and Custody Bank)	135.000.000	327.800.000
ISE	56.634.000	11.922.000
Capital Blockage (Settlement and Custody Bank)	1.750.000	1.750.000
TDE Guarantee Fund	--	--
CMB	1.776	1.776
Other	4.470.900	41.720
Total	197.856.676	341.515.496

As at 31 December 2014, the Group has guarantees given amounting to Euro 10.000 and USD 50.000 in ISE to make operations in foreign marketable securities market (31 December 2013: Euro 10.000 and USD 50.000).

Other off balance sheet liabilities

	31 December 2014	31 December 2013
Items held in custody (nominal)		
Equity securities	760.014.182.352	735.672.401.585
Warrants	3.646.770.000	4.288.450.000
Marketable securities	139.246.929	849.518.085
TDE agreements	4.943	2.448

As at 31 December 2014, TDE transaction collaterals amounting to TRY 7.298.718 are kept at ISE Settlement and Custody Bank Inc on behalf of customers (31 December 2013: TRY 6.926.160).

As at 31 December 2014 and 31 December 2013, open position transactions made on behalf of the customers in TDE market are as follows:

	31 December 2014	31 December 2013
Open position transactions amount	22.237.267	13.074.232

Lawsuits

As at 31 December 2014, total risk of lawsuits sued against the Group are amounting to approximately TRY 210.666 (31 December 2013: TRY 131.648) and TRY 210.666 of provision is provided for these lawsuits on the consolidated financial statements (31 December 2013: TRY 92.928).

14 Employee benefits

As at 31 December 2014 and 31 December 2013, the details of provisions related to employee benefits are below:

	31 December 2014	31 December 2013
<i>Short term</i>		
- Provision for unused vacation	602.487	577.546
- Personnel dividend bonus provision	1.120.000	951.683
<i>Long term</i>		
- Employee severance pay liability	335.585	263.542

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 2014 and 31 December 2013, movements in the provision for vacation pay liability during the year were as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Balance at the beginning of the year	577.546	396.815
Increase during the year	152.858	239.074
Paid during the year	(127.917)	(58.343)
Balance at the end of the year	602.487	577.546

Personnel dividend bonus provision

TRY 1.120.000 of personnel dividend bonus provision is calculated according to the Group's estimate for the distribution of dividend for the year 2014 (31 December 2013: TRY 951.683). In accordance with TMS 19, Group recognized the mentioned amount as 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 consolidated financial statements.

As at 31 December 2014 and 31 December 2013, movements in the employee severance pay liability during the year are as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Balance at the beginning of the year	263.542	284.846
Interest cost	25.835	21.363
Service cost	63.944	55.155
Payments during the year	(288.301)	(86.947)
Actuarial difference	270.565	(10.875)
Balance at the end of the year	335.585	263.542

15 Equity**Share capital**

As per the resolution of General Assembly held on 25 March 2014, the Group's nominal share capital increased to TRY 64.000.000 by TRY 9.000.000 provided from 2013 profit amounting to TRY 8.128.068 and retained earnings for the rest of the increased amount.

As at 31 December 2014, the paid in capital of the Group is TRY 64.000.000 (31 December 2013: TRY 55.000.000) and the Group's share capital is comprised of 64.000.000 shares each having a nominal value of TRY1. All shares of the Group are registered. TRY 28.800.000 of shares is (A) Group and TRY 30.174.400 is (B) Group. The Group management is formed of at least five members of the Board of Directors which are selected by General Assembly. The Group is not subject to registered capital limit system.

	31 December 2014			31 December 2013		
	Share (%)	Share	Amount (TRY)	Share (%)	Share	Amount (TRY)
T. Halk Bankası AŞ (A Group)	45,00	28.800.000	28.800.000	45,00	24.750.000	24.750.000
T. Halk Bankası AŞ (B Group)	54,96	35.174.400	35.174.400	54,94	30.217.000	30.217.000
Other (B Group)	0,04	25.600	25.600	0,06	33.000	33.000
Total	100,00	64.000.000	64.000.000	100,00	55.000.000	55.000.000

Restricted reserves**Legal reserves**

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5%, until the total reserve reaches 20% of the Group'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 2014, restricted reserves (legal reserves) of the Group are amounting to TRY 6.282.386 (31 December 2013: TRY 5.725.924).

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 2014, retained earnings of the Group are amounting to TRY 143.307 (31 December 2013: TRY 1.015.239).

16 Sales revenue and cost of sales

For the years ended 31 December 2014 and 31 December 2013, operating income are as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Sales revenue		
Government bond sales	309.405.054	217.099.652
Equity security sales	30.844.358	4.321.470
Private sector bond sales	14.241.160	4.108.037
Sukuk rent certificates	7.793.012	--
Bank bond sales	6.791.786	5.220.095
Warrant sales	210	--
Investment fund sales	--	4.266.370
	369.075.580	235.015.624
Service income		
Brokerage commission income	15.364.386	14.833.008
Interest income from loans and receivables	6.533.278	7.819.786
Public offering intermediary income	4.957.956	7.908.198
Fixed returned marketable securities ("FRMC") and SEMM commission income	1.954.127	210.368
Leveraged trading income	1.713.886	333.390
TDE commission income	1.439.701	2.143.442
Funds management commission income	499.556	756.766
Default interest	234.992	172.932
Consulting and reporting services income	144.948	929.060
Total service income	32.842.830	35.106.950
Discounts from service income		
Customer commission returns	(3.456.893)	(2.679.275)
Total discounts from service income	(3.456.893)	(2.679.275)
Total sales revenue	398.461.517	267.443.299
Cost of sales		
Government bond sales	(308.612.090)	(216.847.038)
Equity security sales	(30.397.269)	(4.281.522)
Private sector bond sales	(14.127.399)	(4.069.412)
Sukuk rent certificates	(7.743.950)	--
Bank bond sales	(6.791.670)	(5.219.955)
Warrant sales	(211)	--
Investment fund sales	--	(4.250.000)
Total cost of sales	(367.672.589)	(234.667.927)
Gross profit	30.788.928	32.775.372

17 Marketing expenses and general administrative expenses

For the years ended 31 December 2014 and 31 December 2013, general administrative expenses are as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
General administrative expenses		
Personnel expenses	13.286.279	12.933.954
-Salaries	10.146.328	9.810.648
-Personnel insurance expenses	1.990.140	1.658.289
-Personnel service expenses	592.342	586.304
-Personnel food expenses	429.076	435.470
-Other personnel expenses	128.393	443.243
Data monitor expenses	1.583.433	518.006
Rent expenses	1.188.090	872.452
Depreciation and amortisation expenses	1.102.762	963.472
Outsourced benefits and services	800.914	750.275
Electricity, water and telephone expenses	412.117	378.313
Taxes and dues	398.121	371.888
T. Halk Bankası AŞ common expense participation provision expenses	387.448	337.884
Audit and advisory expenses	208.205	552.922
Corporate finance expenses	167.768	503.183
Maintenance and repair expenses	148.843	110.691
Other	1.742.077	1.374.461
Total	21.426.057	19.667.501

For the years ended 31 December 2014 and 31 December 2013, marketing expenses are as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Marketing expenses		
Share of stock exchange expenses	2.600.071	1.908.153
Data monitor expenses	854.730	488.773
Public offering commissions expenses	498.565	1.721.873
Data server expenses	441.870	440.560
Advertising, notice and subscription expenses	321.841	325.986
Commission and service expenses	236.114	325.558
Stock exchange and association subscriptions	147.367	149.395
Internet and website expenses	90.198	49.238
Stock exchange access expenses	50.858	98.867
Sponsorship expenses	27.500	212.500
Representation expenses	--	66.188
Other	6.239	2.041
Total	5.275.353	5.789.132

18 Expenses by function

The Group has classified the expenses on function basis in the accompanying consolidated financial statements. Depreciation and amortisation expenses for the year ended 31 December 2014 are TRY 1.102.762 (31 December 2013: TRY 963.472). Employee severance pay liability expense for the year ended 31 December 2014 is amounting to TRY 89.779. Vacation pay liability expense for the year ended 31 December 2014 is amounting TRY 152.858 (31 December 2013: TRY 76.518 of employee severance pay liability expense, TRY 239.074 of vacation pay liability expense).

19 Other operating income / expenses

For the years ended 31 December 2014 and 31 December 2013, other operating income and expenses are as follows:

<i>Other operating income</i>	1 January – 31 December 2014	1 January – 31 December 2013
Other service income ^(*)	623.119	625.218
Other income and profits	426.018	325.568
Other extraordinary income and profits	269.154	--
Halk Invest common expenses sharing	238.809	--
Provisions no longer required	--	4.310
Total	1.557.100	955.096

^(*) Comprises other income received from customers, reflected postage fees and taxes.

<i>Other operating expenses</i>	1 January – 31 December 2014	1 January – 31 December 2013
Lawsuit provisions	117.738	70.105
Other expenses and losses	50.639	20.956
Total	168.377	91.061

20 Finance income / costs

For the years ended 31 December 2014 and 31 December 2013, finance income and costs are as follows:

<i>Finance income</i>	1 January – 31 December 2014	1 January – 31 December 2013
Interest income on time deposits	10.488.006	17.664.961
Value increase of equity investments	10.234.793	27.573
Interest income on reverse repurchase agreements	9.186.452	3.567.876
Derivative income	6.544.846	--
Exchange gains	1.157.959	193.858
Accrual income on government bonds/ treasury bills	1.115.181	1.676.598
Other	742.180	177.043
Total	39.469.417	23.307.909

<i>Finance costs</i>	1 January – 31 December 2014	1 January – 31 December 2013
Interest expense on borrowings	13.464.864	16.095.425
Interest expense on repurchase agreements	8.456.885	3.790.117
Discount from time deposits	1.389.891	--
Exchange losses	1.117.246	155.357
Letter of guarantee commissions	622.056	725.916
Accrual expense on government bonds/ treasury bills	116.092	186.392
Portfolio management losses	--	74.619
Other	674.577	--
Total	25.841.611	21.027.826

21 Taxation

As at 31 December 2014 and 31 December 2013, 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.

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 Group's effective income tax rate for the years ended 31 December 2014 and 31 December 2013, are as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Profit before income tax	23.355.590	10.800.153
Corporate tax computed with statutory tax rate (20%)	4.671.118	2.160.031
Disallowable expenses	22.152	16.288
Tax exempt income	(545.596)	(60.696)
Tax expense	4.147.674	2.115.623

For the year ended 31 December 2014, effective tax rate is 18% (31 December 2013: 20%).

For the years ended 31 December 2014 and 31 December 2013, details of the tax expenses are as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Current income tax expense	2.083.647	2.311.669
Deferred tax (income)/expense	2.064.027	(196.046)
Tax expense	4.147.674	2.115.623

As at 31 December 2014 and 31 December 2013, 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 2014	31 December 2013
Transfer from previous year	1.167.132	60.882
Current income tax expense	(2.083.647)	(2.311.669)
Prepaid taxes	2.075.076	3.417.919
Current tax assets	1.158.561	1.167.132

21 Taxation (continued)**Deferred tax**

As at 31 December 2014 and 31 December 2013, assets and liabilities bearing deferred tax assets and liabilities are as follows:

	31 December 2014	31 December 2013
Deferred tax assets		
Personnel dividend bonus provision	224.000	190.337
Unused vacation pay liability	120.497	115.509
Reserve for severance pay liability	67.116	52.708
Lawsuit provision	42.133	18.586
Financial investments	12.150	--
Allowance for doubtful receivables	7.036	6.519
Derivative liabilities	--	5.370
Other	155.347	--
Total deferred tax assets	628.279	389.029
Deferred tax liabilities		
Financial assets	2.783.738	538.764
Effect of the depreciation and amortisation method difference between tax regulations and financial reporting on tangible and intangible assets	98.753	85.886
Other	4.694	13.371
Total deferred tax liabilities	2.887.185	638.021
Net deferred tax liabilities	(2.258.906)	(248.992)

22 Earnings per share

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

23 Related party transactions

As at 31 December 2014 and 31 December 2013, balances with related parties are as follows:

	31 December 2014	31 December 2013
Cash and cash equivalents		
T. Halk Bankası AŞ	15.084.236	231.945.688
Total	15.084.236	231.945.688
Trade receivables from related parties		
T. Halk Bankası AŞ	41.499	1.598.600
Halk Yatırım AŞ B Tipi Likit Fon	16.040	11.894
Halk Yatırım Menk. Değ. AŞ B Tipi Şemsiye Fonu	14.231	46.526
Halk Portföy Yönetimi AŞ	6.957	3.221
Halk Sigorta AŞ	5.900	5.936
Halk Yatırım AŞ İMKB 30 Endeks Fon	2.330	2.850
London subsidiary expenses	--	363.776
Halk Hayat ve Emeklilik AŞ	--	32.450
Halk GYO AŞ	--	5.900
Other	--	188
Total	86.957	2.071.341
	31 December 2014	31 December 2013
Payables to related parties		
Halk Portföy Yönetimi AŞ	22.830	--
Bilişim Alternatif Dağıtım Kanalları A.Ş.	747	--
Halk Hayat ve Emeklilik AŞ	72	93
T. Halk Bankası AŞ	--	829.298
Total	23.649	829.391

23 Related party transactions (continued)**Transactions with related parties**

For the years ended 31 December 2014 and 31 December 2013, transactions with related parties are as follows:

Income from related parties

	1 January – 31 December 2014	1 January – 31 December 2013
T. Halk Bankası AŞ		
Interest income on time deposits	4.023.297	13.374.522
Commission income on public offer	4.125.000	3.150.000
Sales income on subsidiaries ⁽¹⁾	3.669.195	--
Advisory service income	240.000	212.400
Reflection of personnel income	105.402	--
Other income	40.752	--
Halk Yatırım B Tipi Likit Fon		
Fund management commission income	499.355	755.126
Halk Gayrimenkul Yatırım Ortaklığı AŞ		
Security offering commissions	--	4.681.598
Advisory service income	32.500	57.500
Commission income	14.643	--
Custody commission income	1.949	--
Halk Finansal Kiralama AŞ		
Advisory service income	2.500	2.950
Halk Sigorta AŞ		
Advisory service income	112.500	73.750
Commission income	7.170	16.463
Custody commission income	3	--
Halk Hayat ve Emeklilik AŞ		
Other service income	204.240	332.270
Commission income	25.242	59.946
Custody commission income	447	--
Halk Portföy Yönetimi AŞ		
Service income	65.263	63.845
Commission income	116	--
Halk Faktoring AŞ		
Service income	2.500	2.950
Halkbank A.D. Skopje/Macedonia		
Service income	--	2.950
Bileşim AŞ		
Advisory service income	2.500	--
Sales income on subsidiaries ⁽¹⁾⁽²⁾	430	--
Total	13.175.004	22.786.270

⁽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.

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

	1 January – 31 December 2014	1 January – 31 December 2013
T. Halk Bankası AŞ		
Agency share note and TDE commission returns	2.722.392	2.574.957
Public offering rebates	497.732	1.721.873
Rent expenses	776.282	662.036
Common cost participation expenses	383.679	349.776
Interest expense on borrowings	14.410	235.258
Sponsorship expenses	--	200.000
Bank transaction expenses	18.833	11.763
Leveraged operation income returns	473.620	--
Letter of guarantee commissions	7.450	7.440
Halk Gayrimenkul Yatırım Ortaklığı AŞ		
Rent expenses	40.372	210.416
Repo interest expenses	169.586	--
Halk Portföy Yönetimi AŞ.		
Commission expense	21.742	64.539
Interest expense	17.676	2.329
Halk Sigorta AŞ		
Personnel and health insurance expenses	268.103	227.139
Interest expense on repurchase agreements	112.029	226
Halk Hayat ve Emeklilik AŞ		
Personnel expenses - mortality insurance expenses	32.580	22.311
Interest expense on repurchase agreements	264.758	421
Bileşim AŞ		
Service expenses	7.741	--
Total	5.828.985	6.290.484

Wages and other benefits granted to top management

For the year ended 31 December 2014, 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 TRY2.300.687 (31 December 2013: TRY 1.921.974).

24 Nature and level of risks related to financial instruments

The Group 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 Group 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 Group conducts brokerage services on behalf of corporate and individual investors and provides advisory services. The Group also makes trading of various marketable securities. The Group may be exposed to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Group. In order to control or mitigate such risks, the Group 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 Group sells trust collaterals if counterparty fails to keep its loan margin which determined before.

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

24.1 Credit risk (continued)

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

31 December 2014	Receivables				Cash at banks ^(*)	Financial assets ^(**)
	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)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Guaranteed part of net value with collaterals	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

^(*) Reverse repurchase agreements presented in cash and cash equivalents amounting to TRY2.133.789 is included.

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

31 December 2013	Receivables				Cash at banks ^(*)	Financial assets ^(**)
	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)	2.071.341	288.244.884	--	666.419	268.901.325	12.300.589
- Guaranteed part of maximum credit risk with collaterals etc	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	2.071.341	288.152.613	--	666.419	268.901.325	12.300.589
B. Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	--	--	--	--	--	--
C. Net carrying value of financial assets which are overdue but not impaired	--	92.271	--	--	--	--
- Guaranteed part of risk with collaterals etc	--	92.271	--	--	--	--
D. Net carrying value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	--	32.596	--	--	--	--
- Impairment (-)	--	32.596	--	--	--	--
- Guaranteed part of net value with collaterals	--	--	--	--	--	--
- Undue (gross book value)	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

^(*) Reverse repurchase agreements presented in cash and cash equivalents amounting to TRY1.068.542 is included.

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

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

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

31 December 2014	Receivables				Cash at banks	Financial investment
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party		
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	--	--	--	--

31 December 2013	Receivables				Cash at banks	Financial investment
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party		
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 Group's non-derivative financial liabilities as at 31 December 2014 are as follows:

Expected maturity	Carrying value	Total contractual cash outflows	3 months or less	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities	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	--	--	--	--	--	--

The residual contractual maturities of the Group's non-derivative financial liabilities as at 31 December 2013 are as follows:

Expected maturity	Carrying value	Total contractual cash outflows	3 months or less	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities	512.994.796	513.774.234	513.774.234	--	--	--
Financial liabilities	263.467.755	264.235.183	264.235.183	--	--	--
Trade payables	249.500.192	249.512.202	249.512.202	--	--	--
Derivative financial liabilities	26.849	(9.791)	--	(9.791)	--	--
Swap agreements	--	--	--	--	--	--
Cash outflow	--	632.743	--	632.743	--	--
Cash flow	26.849	(642.534)	--	(642.534)	--	--

24 Nature and level of risks related to financial instruments (continued)**24.2 Liquidity risk (continued)**

As at 31 December 2014 and 31 December 2013, the liquidity requirement of the Group in accordance with Communiqué 34 is as follows:

	31 December 2014	31 December 2013
Current assets (A)	446.602.763	577.205.257
Current liabilities (B)	367.042.686	515.964.476
Current assets / current liabilities (A/B)	1,22	1,12

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

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 Group has exposed 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 2014 and 31 December 2013 the Group's foreign currency position is as follows:

	31 December 2014		
	TRYEquivalent (Functional currency)	USD	GBP
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)	31.319	--	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)	1.446.742	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	--	--	--

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

	31 December 2013		
	TRYEquivalent (Functional currency)	USD	GBP
1. Trade receivables	--	--	--
2a. Monetary financial assets (Include cash ,bank deposit accounts)	814.306	381.533	--
2b. Non-monetary financial assets	--	--	--
3. Other	--	--	--
4. Current assets (1+2+3)	814.306	381.533	--
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)	814.306	381.533	--
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)	666.306	250.000	37.800
19a. The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	666.306	250.000	37.800
19b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	--	--	--
20. Net foreign currency asset position (9-18+19)	1.480.612	631.533	37.800
21. Net foreign currency asset/(liability) position of monetary (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	1.480.612	631.533	37.800
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	--	--	--

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

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

The below table has presented sensitivity of the Group to 10% increase and decrease of Sterling and US Dollar. This rate is the rate that is used in reporting of the Group'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 2014		
	Strengthening of foreign currency	Weakening of foreign currency
<i>10% movement of US Dollar against TRY</i>		
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)
<i>10% movement of Sterling against TRY</i>		
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)
31 December 2013		
	Strengthening of foreign currency	Weakening of foreign currency
<i>10% movement of Sterling against TRY</i>		
1- US Dollar net asset/liability	134.788	(134.788)
2- Hedging part of US Dollar (-)	--	--
3- US Dollar net effect (1+2)	134.788	(134.788)
<i>10% movement of Sterling against TRY</i>		
4- Sterling net asset/liability	13.273	(13.273)
5- Hedging part of Sterling (-)	--	--
6- Sterling net effect (4+5)	13.273	(13.273)
Total (3+6)	148.061	(148.061)

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 2014 and 31 December 2013, in case of having a 20% increase/(decrease) in BİST stock market index while having all other variables constant, the effects on profit or loss and comprehensive income would be as follows:

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

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

31 December 2013	Profit / (loss)		Equity ^(*)	
	20% increase	20% decrease	20% increase	20% decrease
<i>Financial assets at fair value through profit or loss</i>				
- Stocks	1.565.804	(1.565.804)	1.565.804	(1.565.804)
<i>Available for sale financial assets</i>				
- Stocks	--	--	62.026	(62.026)
Total	1.565.804	(1.565.804)	1.627.830	(1.627.830)

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

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

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

Interest risk position table

		31 December 2014	31 December 2013
Fixed interest rate financial instruments			
Financial assets	Financial assets at fair value through profit or loss	23.144.808	3.893.024
	Time deposits	79.785.604	255.314.345
	Receivables from reverse repurchase agreements	2.133.789	1.068.542
Trade receivables	Receivables from loan customers	27.019.348	60.721.458
Financial liabilities	Financial payables	56.073.362	263.467.755
Floating interest rate financial instruments			
Financial assets	Financial assets at fair value through profit or loss	4.977.990	8.407.565
Financial liabilities	Financial payables	--	--

Equity securities are not included in financial investments.

The Group'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 Group, if the interest rate for TRY 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 2014 and 31 December 2013 would be as follows:

	Profit/(loss)		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2014				
Debt securities	(142.627)	144.843	(142.627)	144.843
31 December 2013				
Debt securities	(28.739)	9.541	(28.739)	9.541

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

As at 31 December 2014 and 31 December 2013, the Group should have a minimum capital amounting TRY 10.231.000 and TRY 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 Group 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 2014, capital adequacy base for the Group is TRY 84.990.583 (31 December 2013: TRY 68.772.284). 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 2014, capital adequacy base of the Group is higher than all items presented above.

Risk provision

The Group 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.

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

As at 31 December 2014 and 31 December 2013, the risk provision amounts calculated in accordance with the regulations of Communiqué 34 are as follows:

	31 December 2014	31 December 2013
Position risk	19.130.453	24.728.696
Counter party risk	4.957.380	13.521.422
Foreign currency risk	--	--
Concentration risk	--	--
Total	24.087.833	38.250.118

25 Financial instruments**Fair value disclosures**

The Group 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 Group'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.

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 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	--	--	--	--

31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short term)	20.129.609	--	--	20.129.609
Financial investments (long term)	310.128	4.912.997	--	5.223.125
Financial liabilities				
Derivative financial instruments	--	(26.849)	--	(26.849)

Fair values of Halk Hayat ve Emeklilik AŞ ve Halk Faktoring AŞ which are classified as Level 2 are measured by an independent valuation Group by using comparable Group 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.

