

**Halk Yatırım Menkul Değerler  
Anonim Şirketi**

Financial Statements  
As at and For the Year Ended  
31 December 2016 with  
Independent Auditors' Report

*(Convenience Translation of financial statements and  
Related Disclosures and Footnotes  
Originally Issued in Turkish)*

13 February 2017

*This report contains 2 pages of independent  
auditors' report and 50 pages of financial  
statements together with their explanatory notes.*

**Halk Yatırım Menkul Değerler  
Anonim Şirketi**

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**Convenience Translation of the Independent Auditors' Report**  
**Originally Prepared and Issued in Turkish to English**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of Halk Yatırım Menkul Değerler Anonim Şirketi ("the Company") the statement of financial position as at 31 December 2016, statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

#### *Opinion*

In our opinion, the financial statements presents fairly, in all material respects, the financial position of Halk Yatırım Menkul Değerler Anonim Şirketi as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards.

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

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") no.6102, no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2016, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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



Funda Aslanoglu, SMMM  
Partner

13 February 2017  
İstanbul, Türkiye

#### ***Additional paragraph for convenience translation to English***

The accounting principles summarized in note in section 2.1, may differ from the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
**Statement of Financial Position (Balance Sheet) as at 31 December 2016**  
(Currency: Amounts are expressed in full Turkish Lira ("TL") unless otherwise stated)

	Notes	Audited 31 December 2016	Audited 31 December 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	457.665.632	67.467.710
Financial investments	4	29.531.553	50.136.120
Trade receivables	5	1.105.955.826	51.549.714
- Trade receivables from related parties	23	24.037	31.424
- Other trade receivables	5	1.105.931.789	51.518.290
Other receivables	8	504.183	1.332.167
Prepaid expenses	10	822.694	837.367
Current tax assets	21	963.198	--
<b>TOTAL CURRENT ASSETS</b>		<b>1.595.443.086</b>	<b>171.323.078</b>
<b>Non-current assets</b>			
Financial investments	4	2.836.656	1.242.437
Investments in equity accounted investees	9	5.064.718	3.297.567
Tangible assets (net)	11	1.886.364	1.690.312
Intangible assets (net)	12	274.210	384.011
Other long-term assets	7	826.810	64.696
<b>TOTAL NON CURRENT ASSETS</b>		<b>10.888.758</b>	<b>6.679.023</b>
<b>TOTAL ASSETS</b>		<b>1.606.331.844</b>	<b>178.002.101</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities	6	414.759.466	19.926.290
Trade payables	5	1.073.121.301	48.326.100
- Trade payables to related parties	23	3.519	1.110
- Other trade payables	5	1.073.117.782	48.324.990
Other payables	8	1.603.171	999.289
Current tax assets	21	--	203.857
Deferred tax liabilities	21	1.510.905	1.683.539
Short term provisions		3.756.017	3.170.511
-Employee benefits	14	2.413.210	2.132.604
-Provisions	13	1.342.807	1.037.907
<b>TOTAL CURRENT LIABILITIES</b>		<b>1.494.750.860</b>	<b>74.309.586</b>
<b>Non-current liabilities</b>			
Long term provisions		1.073.255	845.118
- Employee benefits	14	1.073.255	845.118
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>1.073.255</b>	<b>845.118</b>
<b>Equity</b>			
Share capital	15	82.000.000	82.000.000
Restricted reserves		10.610.120	9.324.969
Accumulated other comprehensive income that are or may be reclassified to profit or loss		1.551.413	211.285
Accumulated other comprehensive income that will never be reclassified to profit or loss		(805.853)	(589.042)
Accumulated gains / (losses)		675.741	(1.691.360)
Profit for the year		16.476.308	13.591.545
<b>TOTAL EQUITY</b>		<b>110.507.729</b>	<b>102.847.397</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1.606.331.844</b>	<b>178.002.101</b>

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

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the Year Ended 31 December 2016**

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

		Audited	Audited
	Notes	1 January – 31 December 2016	1 January – 31 December 2015
<b>PROFIT OR LOSS</b>			
Sales revenue	16	294.482.337	434.686.843
Cost of sales	16	(254.477.832)	(395.347.153)
<b>GROSS PROFIT</b>		<b>40.004.505</b>	<b>39.339.690</b>
General administrative expenses	17	(27.664.002)	(24.755.625)
Marketing expenses	17	(7.595.994)	(7.290.479)
Other operating income (from operating activities)	19	2.876.711	2.584.631
Other operating expenses (from operating activities)	19	(439.689)	(969.513)
<b>OPERATING PROFIT</b>		<b>7.181.531</b>	<b>8.908.704</b>
Share of profit/(expense) of equity accounted investees	9	1.872.873	1.134.560
<b>OPERATING PROFIT BEFORE FINANCE COSTS</b>		<b>9.054.404</b>	<b>10.043.264</b>
Finance income	20	41.383.575	23.381.982
Finance costs	20	(30.511.593)	(17.433.386)
<b>PROFIT BEFORE TAX</b>		<b>19.926.386</b>	<b>15.991.860</b>
Tax expense		(3.450.078)	(2.400.315)
- Current income tax expense	21	(3.627.602)	(2.975.682)
- Deferred tax income/(expense)	21	177.524	575.367
<b>PROFIT FOR THE YEAR</b>		<b>16.476.308</b>	<b>13.591.545</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Other comprehensive income:</b>		<b>1.123.317</b>	<b>(477.402)</b>
<b>Items that are or may be reclassified to profit or loss</b>			
Change in fair value of available for sale financial assets		1.399.221	(76.147)
Tax income/ (expense) related with other comprehensive income	21	(59.093)	--
Foreign currency translation differences		--	(23.010)
<b>Items that will never be reclassified to profit or loss</b>			
Other gains/(losses)		(271.014)	(472.806)
Deferred tax benefit/charge for items never be reclassified to profit or loss	21	54.203	94.561
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>17.599.625</b>	<b>13.114.143</b>

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

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
**Statement of Changes in Equity For the Year Ended 31 December 2016**

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

	Note	Items that are or may be reclassified to profit or loss		Items that will never be reclassified to profit or loss		Retained Earnings			
		Paid-in capital	Foreign currency translation differences	Fair value reserve	Other gains/(losses)	Restricted reserves	Accumulated gains / (losses)	Profit for the year	Equity
<b>1 January 2015</b>		64.000.000	23.010	287.432	(210.797)	6.282.386	143.307	19.207.916	89.733.254
Transfers		--	--	--	--	3.042.583	16.165.333	(19.207.916)	--
Profit for the year		--	--	--	--	--	--	13.591.545	13.591.545
Other comprehensive income		--	(23.010)	(76.147)	(378.245)	--	--	--	(477.402)
- Gains on remeasurements of defined benefit plans, (net)	15	--	--	--	(378.245)	--	--	--	(378.245)
- Change in fair value of available for sale financial assets, (net)	15	--	--	76.147	--	--	--	--	(76.147)
<b>Total comprehensive income</b>		--	(23.010)	(76.147)	(378.245)	--	--	13.591.545	13.114.143
Capital increase	15	18.000.000	--	--	--	--	(18.000.000)	--	--
<b>Balance at 31 December 2015</b>		<b>82.000.000</b>	--	<b>211.285</b>	<b>(589.042)</b>	<b>9.324.969</b>	<b>(1.691.360)</b>	<b>13.591.545</b>	<b>102.847.397</b>
<b>1 January 2016</b>		<b>82.000.000</b>	--	<b>211.285</b>	<b>(589.042)</b>	<b>9.324.969</b>	<b>(1.691.360)</b>	<b>13.591.545</b>	<b>102.847.397</b>
Transfers		--	--	--	--	1.285.151	12.306.394	(13.591.545)	--
Profit for the year		--	--	--	--	--	--	16.476.308	16.476.308
Other comprehensive income		--	--	1.340.128	(216.811)	--	--	--	1.123.317
- Gains on remeasurements of defined benefit plans, (net)		--	--	--	(216.811)	--	--	--	(216.811)
- Change in fair value of available for sale financial assets, (net)		--	--	1.340.128	--	--	--	--	1.340.128
<b>Total comprehensive income</b>		--	--	<b>1.340.128</b>	<b>(216.811)</b>	--	--	<b>16.476.308</b>	<b>17.599.625</b>
Dividend payment	15	--	--	--	--	--	(9.939.293)	--	(9.939.293)
<b>Balance at 31 December 2016</b>		<b>82.000.000</b>	--	<b>1.551.413</b>	<b>(805.853)</b>	<b>10.610.120</b>	<b>675.741</b>	<b>16.476.308</b>	<b>110.507.729</b>

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



**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Statement of Cash Flows For the Year Ended 31 December 2016**

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

		Audited	Audited
	Notes	1 January – 31 December 2016	1 January – 31 December 2015
<b>A. Cash flows from operating activities</b>		<b>37.542.620</b>	<b>29.964.583</b>
<b>Profit for the year</b>		<b>16.476.308</b>	<b>13.591.545</b>
<i>Adjustments for:</i>			
Depreciation and amortisation	17	830.297	919.696
Adjustments related to provisions		2.432.946	2.504.823
- Adjustments for provision expense for doubtful receivables	5	127.574	181.632
- Adjustments for provision expense for severance pay liability	14	242.235	149.520
- Adjustments for provision for unused vacations	14	208.237	169.767
- Adjustments for provision for personnel dividend premium	14	1.550.000	1.400.000
- Adjustments for other provisions	13	304.900	603.904
Adjustments related to tax expense		3.450.078	2.400.315
- Adjustments for income tax expense	21	3.627.602	2.975.682
- Adjustments for deferred tax expense/(income)	21	(177.524)	(575.367)
Adjustments related to interest expense/income		(24.275.256)	(8.738.395)
- Adjustments related to interest income	16,20	(42.005.171)	(18.714.093)
- Adjustments related to interest expense	20	17.729.915	9.975.698
Investments in equity accounted investees	9	(1.872.873)	(1.134.560)
<b>Changes in working capital</b>			
Adjustments related to change in trade receivables		(1.053.752.381)	271.948.757
Adjustments related to change in trade payables		1.024.795.201	(267.576.970)
Adjustments related to change in financial investments (short term financial assets)		20.604.567	(3.195.900)
Other adjustments to working capital		4.256.866	(62.186)
<b>Cash flows from operating activities</b>			
Interest received		51.300.321	22.168.911
Taxes paid	21	(4.794.657)	(1.613.264)
Vacation pay liability payments	14	(77.631)	(39.650)
Employee termination benefit payments	14	(281.166)	(109.676)
Bonus premium payments	14	(1.550.000)	(1.098.863)
<b>B. Cash flows from investing activities:</b>		<b>(2.032.581)</b>	<b>(1.171.125)</b>
Adjustments related to change in financial investments (long term financial assets)		(1.116.033)	(27.431)
Acquisitions of tangible assets	11	(791.487)	(949.981)
Acquisitions of intangible assets	12	(125.061)	(193.713)
<b>C. Cash flows from financing activities</b>		<b>366.500.849</b>	<b>(53.580.458)</b>
Financial liabilities		397.012.442	(36.147.072)
Interest paid		(30.511.593)	(17.433.386)
<b>Net cash flows before effect of change in exchange rates on cash and cash equivalents (A+B+C)</b>		<b>402.010.888</b>	<b>(24.787.000)</b>
<b>D. Effect of change in exchange rates on cash and cash equivalents</b>		<b>131.965</b>	<b>178.477</b>
<b>Net change in cash and cash equivalents (A+B+C+D)</b>		<b>402.142.853</b>	<b>(24.608.523)</b>
<b>E. Cash and cash equivalents at the beginning of the period</b>	3	<b>58.726.606</b>	<b>83.335.129</b>
<b>Cash and cash equivalents at the end of the period (A+B+C+D+E)</b>	3	<b>460.869.459</b>	<b>58.726.606</b>

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

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### As at and for the Year Ended 31 December 2016

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

## 1 Organisation and operations of the Company

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

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

The Company operates with 9 branches (31 December 2015: 9). With reference to agency agreement, all branches of T. Halk Bankası AŞ are agencies of the Company and there is commission sharing with these agencies.

Branch addresses of the Company are as follows:

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

İstanbul Branch: Halide Edip Adıvar 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

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

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### As at and for the Year Ended 31 December 2016

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

#### 1 Organisation and operations of the Company (continued)

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

	31 December 2016	31 December 2015
T. Halk Bankası AŞ	99,96%	99,96%
Other	0,04%	0,04%
<b>Total</b>	<b>100,00%</b>	<b>100,00%</b>

As at 31 December 2016, the Company has 155 employees (31 December 2015: 144). The Company operates with 9 branches (31 December 2015: 9).

#### Associates

Details of the Company's associates are presented below:

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

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

#### Halk Portföy Yönetimi AS

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 principal activity of the Company as specified in the Articles of Association; The establishment and management of mutual funds within the framework of CMB and related legislative provisions. In addition, management of investment trusts, Private Pension Savings and Investment Channels investment trusts dated 28/03/2001 and number 4632 and the management of the portfolio of foreign-funded companies are also included in the main activity.

The Company may engage in the marketing and distribution of shares of variable capital investment trusts with participation shares to participate in the formation of portfolio management, investment advisory and investment funds which are founders, in order to meet the requirements in the capital market legislation and / or obtain authorization certificates.

The Company without being subject to any authorization situated in the CMB notifications and provided they have a minimum equity size specified in the regulations on the CMB's asset management companies, the regulations on the CMB's investment services and activities as appropriate;

- Providing consultancy services related to capital markets,
- Investigation and financial analysis or general advice on transactions related to capital market instruments,
- Wealth management and financial planning can also be performed as ancillary services.

The Company has the Certificate of Portfolio Management and Investment Advisory received from the CMB.

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

As at and for the Year Ended 31 December 2016

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

## 2 Basis of presentation of the financial statements

### 2.1. Basis of presentation

#### 2.1.1. *Statement of compliance*

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

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

The financial statements and statement of profit or loss and other comprehensive income as at and for the year ended 31 December 2016 have been approved by the Board of Directors of the Company and authorised for issue as at 13 February 2017. General Assembly has the discretion of making changes in the accompanying financial statements after their issuance.

#### 2.1.2. *The preparation of financial statements*

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

The forecasts and the assumptions which were prepared by the management, accounting policies of the Company applied on the financial statements as at and for the year ended 31 December 2016 are same with the accounting policies used for preparation of financial statements for the same year ended on the same date.

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

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

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

#### 2.1.4. *Comparative information*

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

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

As at and for the Year Ended 31 December 2016

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

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

#### 2.1. Basis of presentation *(continued)*

##### 2.1.5. Foreign currency transactions

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

Foreign currency rate for 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
US Dollar ("USD")	3.5192	2.9076
Euro	3.7099	--
Sterling	--	4.3007

##### 2.1.6. Segment reporting

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

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

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

#### 2.3. Changes in accounting estimates and errors

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

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

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

Note 4 – Financial investments

Note 14 – Provision for employee benefits

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

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

#### **As at and for the Year Ended 31 December 2016**

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

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

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

#### **Fair value measurement**

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

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

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

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

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

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

Fair value measurements that use the notes are as follows:

Note 4 – Financial investments

### **2.4. New standards and interpretations not yet adopted as at 31 December 2016**

#### **2.4.1. Standards, amendments and interpretations to existing standards effective in 2016**

The Company applied all of the relevant and required standards promulgated by POA and the interpretations of POA as at 31 December 2016.

#### **2.4.2. New standards and interpretations not yet adopted as at 31 December 2016**

The Company implemented all of the admissible and compulsory standards and annotations of POA as at 31 December 2016. Certain new standards, which are not yet effective as of 31 December 2016, are not applied in preparing the accompanying financial statements. These standards and annotations are;

##### *TFRS 9 Financial Instruments - Classification and Measurement*

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Company.

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

As at and for the Year Ended 31 December 2016

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

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

### 2.5. Summary of significant accounting policies

#### 2.5.1. Accounting of revenue and expenses

##### Sales revenue and financial income

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

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

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

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

##### Service income

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

##### Other

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

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

Other revenue and expenses are recognised on accrual basis.

#### 2.5.2. Tangible assets

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

Costs refer to expenditures directly related to acquisition of assets.

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

##### Depreciation

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

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

As at and for the Year Ended 31 December 2016

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

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

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

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

The estimated useful lives of tangible assets are as follows:

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

##### *Subsequent expenditure*

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

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

##### 2.5.3. *Intangible assets*

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

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

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

##### 2.5.5. *Financial instruments*

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



## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

As at and for the Year Ended 31 December 2016

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

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

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

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

##### *Financial assets*

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

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

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash at banks, demand deposits and reverse repurchase agreements which have maturities less than three months or from date of acquisition. Cash and cash equivalents are highly liquid assets which can easily be converted into cash with maturities less than three months and are not subject to risk of depreciating. Time deposits at banks are initially measured at fair value and then, subsequently measured at amortised cost using the effective interest method. The carrying amount of these assets is close to their fair values.

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

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

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

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

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

As at and for the Year Ended 31 December 2016

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

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

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

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

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

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

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

##### *Trade and other receivables*

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

##### *Financial liabilities*

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

##### *Derivative financial instruments*

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

##### *Capital*

###### *Common stock*

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

#### 2.5.6. *Impairment of assets*

##### *Financial assets*

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

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

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

#### **As at and for the Year Ended 31 December 2016**

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

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

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

#### **2.5.6. Impairment of assets (continued)**

##### ***Financial instruments (continued)***

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

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

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

##### ***Non-financial assets***

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

#### **2.5.7. Offsetting**

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

#### **2.5.8. Borrowing costs**

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

#### **2.5.9. Foreign currency transactions**

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

#### **2.5.10. Earnings per share**

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

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

As at and for the Year Ended 31 December 2016

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

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

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

#### 2.5.11. *Subsequent events*

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

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

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

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

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

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

#### 2.5.13. *Leasing transactions*

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

##### *The Company as lessor*

There are not any transactions of the Company as lessor.

##### *The Company as lessee*

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

#### 2.5.14. *Related parties*

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

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### As at and for the Year Ended 31 December 2016

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

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

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

#### 2.5.15. *Segment reporting*

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

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

#### 2.5.16. *Income tax*

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

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

Calculated deferred tax assets and liabilities are offsetted in the financial statements.

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.

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

As at and for the Year Ended 31 December 2016

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

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

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

#### 2.5.17. *Employee benefits*

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

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

In the financial statements, the Company has reflected a liability calculated using Projected Unit Credit Method and based upon factors derived using the Company's experience of personnel terminating their services and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds.

Calculated liability is reflected in the financial statements by the Company. Actuarial gains and losses are recognised in other comprehensive income.

Furthermore, in accordance with the existing social legislation, the Company is required to make payment against the unused vacation days of the employees. Short term liabilities of the employee benefits are expensed in profit or loss without discounting.

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

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

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

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

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

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

As at and for the Year Ended 31 December 2016

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

### 3 Cash and cash equivalents

As at 31 December 2016 and 31 December 2015, cash and cash equivalents are as follows:

	31 December 2016	31 December 2015
Cash at banks <sup>(1)</sup>	456.122.020	66.588.319
- Time deposits	436.443.513	54.583.404
- Demand deposits	19.678.507	12.004.915
Receivables from reverse repurchase agreements	1.543.612	879.391
<b>Cash and cash equivalents on statement of financial position</b>	<b>457.665.632</b>	<b>67.467.710</b>
Interest income accruals on cash and cash equivalents	(4.696.173)	(204.104)
Customer assets	7.900.000	(8.537.000)
<b>Cash and cash equivalents on statement of cash flows</b>	<b>460.869.459</b>	<b>58.726.606</b>

<sup>(1)</sup> TL 7.900.000 (31 December 2015: TL 8.537.000) of bank accounts are customer assets which are not yet invested and evaluated with its own deposit accounts of the Company as at 31 December 2016.

As at 31 December 2016, TL 278.527.802 of cash at banks (31 December 2015: TL 44.525.103) is held on time deposit accounts of T. Halk Bankası AŞ which is main shareholder of the Company, TL 11.870.543 of cash at banks is on demand deposit accounts (31 December 2015: TL 9.828.951).

As at 31 December 2016, maturity of receivables from reverse repurchase agreements is 3 day and interest rate is 7,50%-9,50% (31 December 2015: 4 day maturity, 9,40%-10,15% interest rate).

As at 31 December 2016 and 31 December 2015, the details of time deposits are as follows:

	31 December 2016				31 December 2015			
	Interest rate (%)	Maturity	Currency	Amount	Interest rate (%)	Maturity	Currency	Amount
T. Halk Bankası AŞ	11,15%	18 January 2017	TL	130.198.206	13,10	21 January 2016	TL	10.053.836
T. Halk Bankası AŞ	10,80%	8 February 2017	TL	99.021.613	13,30	25 January 2016	TL	10.036.438
T. Halk Bankası AŞ	10,80%	2 January 2017	TL	20.181.058	13,75	1 February 2016	TL	10.015.068
T. Halk Bankası AŞ	10,80%	3 January 2017	TL	10.113.025	13,30	26 January 2016	TL	8.032.066
T. Halk Bankası AŞ	10,80%	5 January 2017	TL	10.087.483	13,65	16 February 2016	TL	5.437.422
T. Halk Bankası AŞ	8,00%	2 January 2017	TL	7.903.333	10,50	4 January 2016	TL	950.273
Other	11,00%	10 February 2017	TL	1.023.084	--	--	--	--
Other	11,05%	2 January 2017	TL	10.112.619	13,30	20 January 2016	TL	10.058.301
Other	12,00%	6 February 2017	TL	10.027.983	--	--	--	--
Other	10,70%	4 January 2017	TL	10.126.116	--	--	--	--
Other	11,25%	9 January 2017	TL	3.020.221	--	--	--	--
Other	11,50%	26 January 2017	TL	20.352.927	--	--	--	--
Other	11,50%	16 January 2017	TL	25.119.578	--	--	--	--
Other	11,55%	16 January 2017	TL	44.055.653	--	--	--	--
Other	11,40%	16 January 2017	TL	20.065.176	--	--	--	--
Other	11,85%	9 January 2017	TL	5.007.676	--	--	--	--
Other	11,90%	6 February 2017	TL	10.027.762	--	--	--	--
<b>Total</b>				<b>436.443.513</b>				<b>54.583.404</b>

As at 31 December 2016 and 31 December 2015, there is no blockage on cash and cash equivalents of the Company.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

**4****Financial investments****Short term financial assets**

As at 31 December 2016 and 31 December 2015, short term financial investments are as follows:

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

	31 December 2016		31 December 2015	
	Nominal value	Carrying value	Nominal value	Carrying value
Government bonds	2.265.597	3.310.483	26.318.789	27.954.054
Equity securities	6.668.881	19.028.240	4.677.153	18.744.112
Private sector bonds	7.395.537	7.192.830	3.400.210	3.437.954
<b>Total</b>		<b>29.531.553</b>		<b>50.136.120</b>

As at 31 December 2016, government bonds with nominal value TL 700.000 (31 December 2015: TL 300.000 and TL 650.000) and carrying value of TL 720.482 (31 December 2015: TL 311.208 and TL 674.284) is pledged as collateral at Turkish Derivatives Exchange and nominal value TL 1.760.000 (31 December 2015: TL 200.000) and the carrying value TL 1.811.498 (31 December 2015: TL 207.472) worth of government bonds are hold as deposit payments in care of BİST.

**Long term financial assets**

As at 31 December 2016 and 31 December 2015, long term financial assets are as follows:

**Available for sale financial assets**

	31 December 2016		31 December 2015	
	Carrying value	Ownership rate (%)	Carrying value	Ownership rate (%)
<b>Share investments</b>				
Borsa İstanbul AŞ <sup>(1)</sup>	1.341.572	0,038	159.711	0,038
Halk Faktoring AŞ	1.215.297	1,240	785.434	1,240
Halk Gayrimenkul Yatırım Ortaklığı AŞ	271.283	0,038	288.788	0,038
Ziraat Portföy Yönetimi AŞ <sup>(2)</sup>	8.500	0,100	8.500	0,100
Halk Finansal Kiralama AŞ <sup>(3)</sup>	4	--	4	--
<b>Total</b>	<b>2.836.656</b>		<b>1.242.437</b>	

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

<sup>(2)</sup> Recognised in the financial statements with cost value.

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



**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

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

As at 31 December 2016 and 31 December 2015, trade receivables of the Company are as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Customer receivables from Stock Exchange		
Money Market	1.032.372.000	39.000
Receivables from loan customers <sup>(1)</sup>	37.754.195	31.448.710
Collaterals given to TDE <sup>(3)</sup>	12.735.024	8.287.624
Leveraged trading collaterals <sup>(2)</sup>	11.210.428	3.958.536
Collaterals given for borrowed securities	3.807.000	--
Company receivables from Stock Exchange		
Money Market	7.612.000	7.000.000
Doubtful trade receivables	329.953	216.813
Receivables from customers	441.142	784.420
Receivables from related parties (Note 23)	24.037	31.424
Provision for doubtful trade receivables	(329.953)	(216.813)
<b>Total</b>	<b>1.105.955.826</b>	<b>51.549.714</b>

(1) As at 31 December 2016, average interest rate of the loans which were used by customers, are 15,24% (31 December 2015: 17,03%).

(2) Receivables related with sales transactions made at Stock Exchange Money Market ("SEMM") on behalf of customers by the Company.

(3) Present value of USD collaterals given to Settlement and Custody Bank ("Takasbank") for leveraged trading transactions by the Company on behalf of customers.

As at 31 December 2016 and 31 December 2015, movement of doubtful receivables are as follows:

	<b>1 January -- 31 December 2016</b>	<b>1 January -- 31 December 2015</b>
Balance at the beginning of the year	216.813	35.181
Allowance provided during the year	127.574	181.632
Collections during the year	(14.434)	--
<b>Balance at the end of the year</b>	<b>329.953</b>	<b>216.813</b>

**Trade payables**

As at 31 December 2016 and 31 December 2015, trade payables are as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Payables to Stock Exchange Money Market	1.032.372.000	39.000
TDE collaterals	12.345.065	8.287.623
Payables to customers	11.862.421	8.905.078
Leveraged trading collaterals	11.210.428	3.904.035
Guarantees received for lended securities	3.807.000	--
Funds provided under repurchase agreements	803.768	26.577.888
Payables to suppliers	717.100	611.366
Payables to related parties (Note 23)	3.519	1.110
<b>Total</b>	<b>1.073.121.301</b>	<b>48.326.100</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

**6 Financial liabilities**

As at 31 December 2016 and 31 December 2015, financial liabilities of the Company are as follows:

	31 December 2016	31 December 2015
Issued Commercial Paper	272.942.997	--
Payables to Stock Exchange Money Market	141.816.469	19.926.290
<b>Total</b>	<b>414.759.466</b>	<b>19.926.290</b>

As at 31 December 2016, letter of guarantees amounting to TL 185.000.000 are given as collateral for debts to Stock Exchange Money Market (31 December 2015: TL 65.000.000).

As 31 December 2016 and 31 December 2015, the Company's financial liabilities are as follows:

		31 December 2016			31 December 2015		
Loans from Takasbank Money Market	Interest rate (%)	Maturity	Amount	Interest rate (%)	Maturity	Amount	
SEMM	11,00%	2 January 2017	25.114.629	14,30	04.01.2016	19.926.290	
SEMM	11,00%	2 January 2017	20.097.449	--	--	--	
SEMM	10,55%	2 January 2017	20.060.544	--	--	--	
SEMM	9,10%	2 January 2017	20.009.547	--	--	--	
SEMM	10,90%	2 January 2017	19.048.532	--	--	--	
SEMM	9,95%	9 January 2017	17.509.138	--	--	--	
SEMM	10,50%	9 January 2017	10.107.255	--	--	--	
SEMM	11,00%	9 January 2017	6.009.606	--	--	--	
SEMM	9,50%	16 January 2017	2.501.244	--	--	--	
SEMM	10,70%	16 January 2017	805.365	--	--	--	
SEMM	10,80%	26 January 2017	251.197	--	--	--	
SEMM	11,00%	6 February 2017	201.320	--	--	--	
SEMM	10,70%	6 February 2017	100.643	--	--	--	
<b>Total</b>			<b>141.816.469</b>			<b>19.926.290</b>	

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

Securities Issued		31 December 2016			
ISIN	Date of Issue	Maturity	Interest rate (%)	Nominal	Amount
TRFHALK11715	4 November 2016	18 January 2017	10,00%	130.650.000	129.973.658
TRFHALK21714	16 November 2016	8 February 2017	10,00%	100.000.000	98.931.223
TRFHALK31713	13 December 2016	16 March 2017	10,70%	45.000.000	44.038.116
<b>Total</b>					<b>272.942.997</b>

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### As at and for the Year Ended 31 December 2016

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

#### 7 Other long-term assets

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

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

	1 January – 31 December 2016	1 January – 31 December 2015
Balance at the beginning of the period	64.696	-
Increase during the period	762.114	64.696
<b>Balance at the end of the year</b>	<b>826.810</b>	<b>64.696</b>

Expenditures in this scope recognized as expense in other non-current assets.

#### 8 Other receivables and payables

##### Other receivables

As at 31 December 2016 and 31 December 2015, other receivables are as follows:

	31 December 2016	31 December 2015
TDE collaterals <sup>(1)</sup>	340.969	415.053
Receivables from leveraged transactions	117.374	886.042
Rent deposits	24.213	16.713
Receivables from personnel	21.627	14.359
<b>Total</b>	<b>504.183</b>	<b>1.332.167</b>

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

##### Other payables

As at 31 December 2016 and 31 December 2015, other payables are as follows:

	31 December 2016	31 December 2015
Taxes and dues payable	1.603.171	999.289
<b>Total</b>	<b>1.603.171</b>	<b>999.289</b>

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**9****Investments in equity accounted investees**

Associations	Share (%)		Main operational area
	31 December 2016	31 December 2015	
Halk Portföy <sup>(1)</sup>	25,00	25,00	Portfolio management
	<b>31 December 2016</b>	<b>31 December 2015</b>	
Total assets		21.596.301	14.245.092
Total liabilities		(1.337.428)	(1.054.825)
<b>Net assets</b>		<b>20.258.873</b>	<b>13.190.267</b>
Company's share in equity accounted investees		5.064.718	3.297.567
<b>Investments in equity accounted investees</b>		<b>5.064.718</b>	<b>3.297.567</b>
	<b>31 December 2016</b>	<b>31 December 2015</b>	
Total income		14.368.993	10.181.389
Net profit / (loss) for the period		7.491.493	4.538.240
Other comprehensive income		(12.625)	(10.069)
<b>Share of profit/(loss) for the year of equity accounted investees</b>		<b>1.872.873</b>	<b>1.134.560</b>
<b>Share of profit or loss and other comprehensive income of equity accounted investees</b>		<b>1.869.717</b>	<b>1.132.043</b>

<sup>(1)</sup> Halk Portföy Yönetimi AŞ was established on 24 June 2011 by registration to Istanbul Trade Registry and declaration to Trade Registry Gazette dated 30 June 2011 and numbered 7848. The Company paid TL 2.750.000 in cash for the 25% share of Halk Portföy Yönetimi AŞ. Halk Portföy Yönetimi AŞ's share capital is comprised of 11.000.000 shares each having a nominal value of TL 1.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

**10 Prepaid expenses**

As at 31 December 2016 and 31 December 2015, other current assets are as follows:

	31 December 2016	31 December 2015
Prepaid expenses	416.009	353.626
Prepaid rent	406.685	483.741
<b>Total</b>	<b>822.694</b>	<b>837.367</b>

**11 Tangible assets**

For the years ended 31 December 2016 and 31 December 2015, movement of the tangible assets are as follows:

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
<b>Cost</b>				
Opening balance, 1 January 2015	901.200	2.362.275	1.987.244	5.250.719
Additions	344.801	128.598	476.582	949.981
Disposals	(87.607)	(683.113)	--	(770.720)
<b>Ending balance, 31 December 2015</b>	<b>1.158.394</b>	<b>1.807.760</b>	<b>2.463.826</b>	<b>5.429.980</b>
Opening balance, 1 January 2016	1.158.394	1.807.760	2.463.827	5.429.980
Additions	647.061	70.288	74.138	791.487
Disposals	--	--	--	--
<b>Ending balance, 31 December 2016</b>	<b>1.805.455</b>	<b>1.878.048</b>	<b>2.537.965</b>	<b>6.221.467</b>
<b>Accumulated depreciation</b>				
Opening balance, 1 January 2015	459.858	1.887.361	1.388.109	3.735.328
Current year charge	149.825	227.582	276.655	654.062
Disposals	(27.630)	(622.092)	--	(649.722)
<b>Ending balance, 31 December 2015</b>	<b>582.053</b>	<b>1.492.851</b>	<b>1.664.764</b>	<b>3.739.668</b>
Opening balance, 1 January 2016	582.053	1.492.851	1.664.764	3.739.668
Current year charge	253.807	108.666	232.962	595.435
Disposals	--	--	--	--
<b>Ending balance, 31 December 2016</b>	<b>835.860</b>	<b>1.601.517</b>	<b>1.897.726</b>	<b>4.335.103</b>
<b>Net book value</b>				
1 January 2015	441.342	474.914	599.135	1.515.391
1 January 2016	576.341	314.909	799.063	1.690.312
31 December 2016	969.595	276.531	640.239	1.886.364

As at 31 December 2016, total insurance on tangible assets are amounting to TL 5.000.027 (31 December 2015: 5.000.027).

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

**12 Intangible assets**

For the years ended 31 December 2016 and 31 December 2015, movement of the intangible assets are as follows:

	<b>Software</b>
<b>Cost</b>	
Opening balance, 1 January 2015	1.931.498
Additions	193.713
<b>Ending balance, 31 December 2015</b>	<b>2.125.211</b>
Opening balance, 1 January 2016	2.125.211
Additions	125.061
<b>Ending balance, 31 December 2016</b>	<b>2.250.272</b>
<b>Accumulated amortisation</b>	
Opening balance, 1 January 2015	1.475.566
Current year charge	265.634
<b>Ending balance, 31 December 2015</b>	<b>1.741.200</b>
Opening balance, 1 January 2016	1.741.200
Current year charge	234.862
<b>Ending balance, 31 December 2016</b>	<b>1.976.062</b>
<b>Net book value</b>	
1 January 2015	455.932
1 January 2016	384.011
31 December 2016	274.210

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

As at 31 December 2016 and 31 December 2015, short-term provisions are as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Lawsuit provisions	1.156.239	911.867
Agency expense participation accruals	54.726	38.174
Central Registry Agency ("CRA") Settlement and Custody Bank commission accruals	39.804	5.437
Expenses payables	20.837	12.407
Account maintenance fee expense provisions	16.933	16.210
Telephone expense accruals	6.751	--
Share-bond market participation accruals	--	41.671
Other expense accruals	47.517	12.141
<b>Total</b>	<b>1.342.807</b>	<b>1.037.907</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

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

As at 31 December 2016 and 31 December 2015, off balance sheet commitments and contingencies are as follows:

**Letter of guarantees given**

	31 December 2016	31 December 2015
Stock Exchange Money Market Transaction Collaterals (Settlement and Custody Bank)	185.000.000	65.000.000
Istanbul Stock Exchange (ISE)	63.286.000	98.120.000
Capital Blockage (Settlement and Custody Bank)	---	1.750.000
CMB	1.776	1.776
Other	234.600	148.900
<b>Total</b>	<b>248.522.376</b>	<b>165.020.676</b>

As at 31 December 2016, the Company has guarantees given amounting to USD 50.000 in ISE to make operations in foreign marketable securities market and given amounting to Euro 5.000.000 in ABN AMRO Clearing Bank N.V. to make prime brokerage operations (31 December 2015: Euro 10.000 and USD 50.000).

**Other off balance sheet liabilities**

	31 December 2016	31 December 2015
<b>Items held in custody (nominal)</b>		
Equity securities	914.495.281.974	808.180.886.384
Warrants	2.678.382.000	3.591.646.000
Other marketable securities	281.276.553	170.059.500
TDE agreements	17.887	6.944

As at 31 December 2016, TDE transaction collaterals amounting to TL 12.345.065 are kept at BIST Settlement and Custody Bank Inc on behalf of customers (31 December 2015: TL 8.287.624).

As at 31 December 2016 and 31 December 2015, open position transactions made on behalf of the customers in TDE market are as follows:

	31 December 2016	31 December 2015
Open position transactions amount	68.531.726	28.633.815

**Lawsuits**

As at 31 December 2016, total risk of lawsuits sued against the Company are amounting to approximately TL 1.156.239 (31 December 2015: TL 911.867) and TL 1.156.239 of provision is provided for these lawsuits on the financial statements (31 December 2015: TL 911.867).

	1 January – 31 December 2016	1 January – 31 December 2015
Balance at the beginning of the period	911.867	210.666
Increase during the period	244.372	701.201
<b>Balance at the end of the year</b>	<b>1.156.239</b>	<b>911.867</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

**14 Employee benefits**

As at 31 December 2016 and 31 December 2015, the details of provisions related to employee benefits are below:

	<b>31 December 2016</b>	<b>31 December 2015</b>
<i>Short term</i>	<i>2,413,210</i>	<i>2,132,604</i>
- Provision for unused vacation	863.210	732.604
- Personnel dividend bonus provision	1.550.000	1.400.000
<i>Long term</i>	<i>1,073,255</i>	<i>845,118</i>
- Employee severance pay liability	1.073.255	845.118

**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 2016 and 31 December 2015, movements in the provision for vacation pay liability during the year were as follows:

	<b>1 January – 31 December 2016</b>	<b>1 January – 31 December 2015</b>
Balance at the beginning of the year	732.604	602.487
Increase during the year	208.237	169.767
Paid during the year	(77.631)	(39.650)
<b>Balance at the end of the year</b>	<b>863.210</b>	<b>732.604</b>

**Personnel dividend bonus provision**

TL 1.550.000 of personnel dividend bonus provision is calculated according to the Company's estimate for the distribution of dividend for the year 2016 (31 December 2015: TL 1.400.000). In accordance with TAS 19, the Company recognises the related amount as an expense in the current period.

**Employee severance pay liability**

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

As at 31 December 2016 and 31 December 2015, movements in the employee severance pay liability during the year are as follows:

	<b>1 January – 31 December 2016</b>	<b>1 January – 31 December 2015</b>
Balance at the beginning of the year	845.118	335.585
Interest cost	91.949	25.803
Service cost	150.286	123.717
Payments during the year	(281.166)	(109.676)
Actuarial difference	267.068	469.689
<b>Balance at the end of the year</b>	<b>1.073.255</b>	<b>845.118</b>



# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### As at and for the Year Ended 31 December 2016

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

15

## Equity

### Share capital

	31 December 2016			31 December 2015		
	Share (%)	Share	Share (%)	Share	Share (%)	Share
T. Halk Bankası AŞ (A Group)	45,00	36.900.000	45,00	36.900.000	45,00	36.900.000
T. Halk Bankası AŞ (B Group)	54,96	45.067.200	54,96	45.067.200	54,96	45.067.200
Other (B Group)	0,04	32.800	0,04	32.800	0,04	32.800
<b>Total</b>	<b>100,00</b>	<b>82.000.000</b>	<b>100,00</b>	<b>82.000.000</b>	<b>100,00</b>	<b>82.000.000</b>

As per the resolution of General Assembly held on 21 April 2016 it is decided that the amount of TL 561.222, 5% of net profit of the year 2015, is separated as primary reserve, the amount of TL 4.100.000, 5% of paid-in capital, is separated as primary dividend, the amount of TL 5.839.293 is separated as 2<sup>nd</sup> dividend, the maximum amount of TL 1.400.000 is paid to employees so as to cover it from 2015 employee dividend provision, the amount of TL 723.929 is separated as 2<sup>nd</sup> reserve, total of TL 9.939.293 is primary dividend and 2<sup>nd</sup> dividend decided to pay as of 22 April 2016 in cash.

### Restricted reserves

#### Legal reserves

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

As at 31 December 2016, restricted reserves (legal reserves) of the Company are amounting to TL 10.610.120 (31 December 2015: TL 9.324.969).

#### 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 2016, retained earnings of the Company are amounting to TL 675.741 (31 December 2015: TL 1.691.360).

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

**16 Sales revenue and cost of sales**

For the years ended 31 December 2016 and 31 December 2015, sales revenue and cost of sales are as follows:

	<b>1 January – 31 December 2016</b>	<b>1 January – 31 December 2015</b>
<b><i>Sales revenue</i></b>		
Government bond sales	206.061.834	307.107.819
Treasury bills sales	7.443.953	30.586.623
Private sector bond sales	10.580.319	21.106.905
Commercial bond sales	4.772.563	20.427.252
Equity security sales	18.260.609	9.881.080
Sukuk rent certificates	4.757.334	7.070.435
Eurobond sales	3.173.145	--
	<b>255.049.757</b>	<b>396.180.114</b>
<b><i>Service income</i></b>		
Brokerage commission income	18.571.833	17.901.479
Public offering intermediary income	7.188.508	7.379.407
Interest income from loans and receivables	5.007.219	3.954.479
Leveraged trading income	4.436.858	2.971.623
Fixed returned marketable securities ("FRMC") and SEMM commission income	2.415.123	4.054.737
TDE commission income	1.367.786	1.745.310
Default interest income	358.973	333.872
Consulting and reporting services income	210.000	148.424
Funds management commission income	57.005	265.430
<b>Total service income</b>	<b>39.613.305</b>	<b>38.754.761</b>
<b><i>Discounts from service income</i></b>		
Customer commission returns	(180.726)	(248.032)
<b>Total discounts from service income</b>	<b>(180.726)</b>	<b>(248.032)</b>
<b>Total sales revenue</b>	<b>294.482.337</b>	<b>434.686.843</b>
<b><i>Cost of sales</i></b>		
Government bond sales	(205.392.592)	(306.466.163)
Equity security sales	(18.401.445)	(9.802.733)
Private sector bond sales	(10.574.021)	(21.047.224)
Treasury bills sales	(7.440.398)	(30.571.901)
Sukuk rent certificates	(4.757.334)	(7.031.880)
Commercial bond sales	(4.746.967)	(20.427.252)
Eurobond sales	(3.165.074)	---
<b>Total cost of sales</b>	<b>(254.477.831)</b>	<b>(395.347.153)</b>
<b>Gross profit</b>	<b>40.004.505</b>	<b>39.339.690</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

**17 Marketing expenses and general administrative expenses**

For the years ended 31 December 2016 and 31 December 2015, general administrative expenses are as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
<i>General administrative expenses</i>		
Personnel expenses	17.973.982	16.293.416
-Salaries	13.066.020	12.079.726
-Personnel insurance expenses	2.620.599	2.538.636
-Personnel service expenses	777.966	621.589
-Personnel food expenses	560.503	546.702
-Other personnel expenses	948.894	506.763
Rent expenses	1.386.393	1.236.489
Taxes and dues	1.378.712	985.729
Outsourced benefits and services	1.150.438	926.037
Data monitor expenses	1.073.617	967.893
Depreciation and amortisation expenses	830.297	919.696
Electricity, water and telephone expenses	706.838	498.269
Vehicle expenses	607.332	637.628
T. Halk Bankası AŞ common expenses participation provision expenses	575.302	535.923
Maintenance and repair expenses	413.259	260.257
Corporate finance expenses	237.566	211.799
Audit and advisory expenses	85.801	148.423
Representation expenses	81.894	234.328
Other	1.162.571	903.629
<b>Total</b>	<b>27.664.002</b>	<b>24.755.625</b>

For the years ended 31 December 2016 and 31 December 2015, marketing expenses are as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
<i>Marketing expenses</i>		
Share of stock exchange expenses	3.510.630	4.199.265
Data monitor expenses	1.582.800	1.504.969
Data server expenses	585.856	529.362
Commission and service expenses	449.254	378.161
Advertising, notice and subscription expenses	770.448	254.959
Stock exchange and association subscriptions	301.284	252.864
Stock exchange access expenses	190.031	117.412
Sponsorship expenses	96.629	32.500
Internet and website expenses	37.500	20.636
Public offering commissions expenses	32.164	--
Other	39.398	350
<b>Total</b>	<b>7.595.994</b>	<b>7.290.479</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

**18 Expenses by function**

The Company classifies the expenses on function basis in the accompanying financial statements. Depreciation and amortisation expenses for the year ended 31 December 2016 are TL 830.297 (31 December 2015: TL 919.696). Employee severance pay liability expense for the year ended 31 December 2016 is amounting to TL 242.235. Vacation pay liability expense for the year ended 31 December 2016 is amounting TL 208.237 (31 December 2015: TL 149.520 of employee severance pay liability expense, TL 169.767 of vacation pay liability expense).

**19 Other operating income / expenses**

For the years ended 31 December 2016 and 31 December 2015, other operating income and expenses are as follows:

<i>Other operating income</i>	<b>1 January – 31 December 2016</b>	<b>1 January – 31 December 2015</b>
Other income and profits <sup>(1)</sup>	249.608	1.892.808
Other service income <sup>(2)</sup>	452.653	430.232
Other extraordinary income and profits <sup>(3)</sup>	2.174.450	261.591
<b>Total</b>	<b>2.876.711</b>	<b>2.584.631</b>

<sup>(1)</sup> Comprises dividend income on corporate portfolio.

<sup>(2)</sup> Comprises other income received from customers, reflected postage fees and taxes.

<sup>(3)</sup> The amount of TL 2.163.365 is received as grant from treasury.

<i>Other operating expenses</i>	<b>1 January – 31 December 2016</b>	<b>1 January – 31 December 2015</b>
Lawsuit provisions	244.372	701.201
Other expenses and losses	195.317	268.312
<b>Total</b>	<b>439.689</b>	<b>969.513</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

**20 Finance income / costs**

For the years ended 31 December 2016 and 31 December 2015, finance income and costs are as follows:

<i>Finance income</i>	<b>1 January – 31 December 2016</b>	<b>1 January – 31 December 2015</b>
Interest income on time deposits	25.407.833	3.064.011
Interest income on reverse repurchase agreements	10.290.364	11.530.187
Foreign exchange gains	3.533.257	1.834.127
Accrual income on government bonds/ treasury bills	736.129	1.604.961
Value increase of equity investments	594.162	489.362
Interest income on ("SEMM") and ("TDE")	516.772	2.406.193
Derivative income	32.967	2.092.429
Other	272.091	360.712
<b>Total</b>	<b>41.383.575</b>	<b>23.381.982</b>

  

<i>Finance costs</i>	<b>1 January – 31 December 2016</b>	<b>1 January – 31 December 2015</b>
Interest expense on borrowings	9.380.088	2.548.017
Interest expense on commercial paper	9.159.081	--
Interest expense on repurchase agreements	8.349.793	9.909.019
Foreign exchange losses	2.350.891	1.545.789
Letter of guarantee commissions	650.670	437.444
Rediscount income on stocks and fixed income securities	616.339	2.903.389
Accrual expense on government bonds/ treasury bills	--	66.679
Other	4.731	23.049
<b>Total</b>	<b>30.511.593</b>	<b>17.433.386</b>

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the financial statements

### As at and for the Year Ended 31 December 2016

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

## 21 Taxation

As at 31 December 2016 and 31 December 2015, 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.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

**21 Taxation (continued)**

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 31 December 2016 and 31 December 2015, are as follows:

	<b>1 January – 31 December 2016</b>	<b>1 January – 31 December 2015</b>
Profit before income tax	19.926.386	15.991.860
Corporate tax computed with statutory tax rate (20%)	3.985.277	3.198.372
Disallowable expenses	299.141	47.771
Tax exempt income	(834.340)	(845.828)
<b>Tax expense</b>	<b>3.450.078</b>	<b>2.400.315</b>

For the year ended 31 December 2016, effective tax rate is 18% (31 December 2015: 15%).

For the years ended 31 December 2016 and 31 December 2015, details of the tax expenses are as follows:

	<b>1 January – 31 December 2016</b>	<b>1 January – 31 December 2015</b>
Current income tax expense	3.627.602	2.975.682
Deferred tax income	(177.524)	(575.367)
<b>Tax expense</b>	<b>3.450.078</b>	<b>2.400.315</b>

As at 31 December 2016 and 31 December 2015, the corporation tax payable after deduction of prepaid taxes is presented as in the "current income tax liabilities" account or "current tax assets" account.

	<b>31 December 2016</b>	<b>31 December 2015</b>
Transfer from previous year	(203.857)	1.158.561
Current income tax expense	(3.627.602)	(2.975.682)
Prepaid taxes	4.794.657	1.613.264
<b>Current tax assets</b>	<b>963.198</b>	<b>(203.857)</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

**21 Taxation (continued)****Deferred tax**

As at 31 December 2016 and 31 December 2015, assets and liabilities bearing deferred tax assets and liabilities are as follows:

	31 December 2016	31 December 2015
<b>Deferred tax assets</b>		
Lawsuit provision	231.248	182.373
Reserve for severance pay liability	214.651	169.024
Unused vacation pay liability	172.642	146.521
Allowance for doubtful receivables	40.423	43.363
Other	4.306	32.063
<b>Total deferred tax assets</b>	<b>663.270</b>	<b>573.344</b>
<b>Deferred tax liabilities</b>		
Financial investments	(2.086.491)	(2.174.158)
Effect of the depreciation and amortisation method difference between tax regulations and financial reporting on tangible and intangible assets	(87.684)	(82.725)
<b>Total deferred tax liabilities</b>	<b>(2.233.268)</b>	<b>(2.256.883)</b>
<b>Net deferred tax liabilities</b>	<b>(1.510.905)</b>	<b>(1.683.539)</b>

Movement of deferred tax liability during the period is as follows;

	31 December 2016	31 December 2015
As of 1 January deferred tax liabilities	(1.683.539)	(2.353.467)
Deferred tax income	177.524	575.367
Accumulated other comprehensive income that are or may be reclassified to profit or loss	(59.093)	--
Deferred tax benefit/charge for items never be reclassified to profit or loss	54.203	94.561
<b>Deferred tax asset</b>	<b>(1.510.905)</b>	<b>(1.683.539)</b>

As of December 31, 2016, the Company has no available financial losses (31 December 2015: None).

**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.



**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

**23 Related party transactions**

As at 31 December 2015 and 31 December 2016, balances with related parties are as follows:

	<b>31 December 2016</b>	<b>31 December 2016</b>
<b>Cash and cash equivalents</b>		
T. Halk Bankası AŞ	290.392.620	54.354.054
<b>Total</b>	<b>290.392.620</b>	<b>54.354.054</b>
<b>Trade receivables from related parties</b>		
Halk Portföy Yönetimi AŞ	10.810	10.360
Halk Portföy Yönetimi AŞ Funds	7.327	--
Halk Sigorta AŞ	5.900	5.900
Halk Yatırım Menkul Değerler AŞ B Tipi		
Kısa Vadeli Tahvil Bono Fonu	--	15.157
Halk Hayat ve Emeklilik AŞ	--	7
<b>Total</b>	<b>24.037</b>	<b>31.424</b>
	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Payables to related parties</b>		
Bilişim Adk ve Ödeme Sistemleri AŞ	1.987	1.110
Halk Portföy Yönetimi AŞ	1.174	--
Halk Sigorta AŞ	315	--
Halk Hayat ve Emeklilik AŞ	43	--
<b>Total</b>	<b>3.519</b>	<b>1.110</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

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

For the years ended 31 December 2016 and 31 December 2015, transactions with related parties are as follows:

**Income from related parties**

	1 January – 31 December 2016	1 January – 31 December 2015
<b><u>T. Halk Bankası AS</u></b>		
Commission income on public offer	6.400.000	5.250.000
Interest income on time deposits	14.062.044	698.187
Advisory service income	350.000	250.000
Reflection of personnel income	--	122.640
<b><u>T. Halk Bankası Fonları</u></b>		
Commission income	--	3.610.446
<b><u>Halk Emeklilik Fonları</u></b>		
Commission income	1.164.993	1.042.931
<b><u>Halk Portföy Fonları</u></b>		
Commission income	1.687.552	231
<b><u>Halk Yatırım Fonları</u></b>		
Fund management commission income	--	265.430
Commission income	--	9.512
<b><u>Halk Gayrimenkul Yatırım Ortaklığı AS</u></b>		
Advisory service income	2.500	2.500
Custody commission income	--	739
<b><u>Halk Finansal Kiralama AS</u></b>		
Commission income on public offer	375.000	--
Advisory service income	2.500	2.500
<b><u>Halk Sigorta AS</u></b>		
Advisory service income	62.500	62.500
Commission income	2.322	1.514
Custody commission income	5	13
Other income	--	2.067
<b><u>Halk Hayat ve Emeklilik AS</u></b>		
Commission income	16.793	9.449
Advisory service income	2.500	2.500
Custody commission income	372	365
<b><u>Halk Portföy Yönetimi AS</u></b>		
Commission income	105.541	100.342
Advisory service income	2.500	--
<b><u>Halk Faktoring AS</u></b>		
Advisory service income	2.500	2.500
<b><u>Bileşim AS</u></b>		
Advisory service income	--	2.500
<b>Total</b>	<b>24.239.622</b>	<b>11.438.886</b>

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

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

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

	1 January – 31 December 2016	1 January – 31 December 2015
<b><u>T. Halk Bankası AS</u></b>		
Rent expenses	1.281.872	1.206.399
Common cost participation expenses	564.532	524.749
Letter of guarantee commissions	42.783	34.231
Bank transaction expenses	15.986	13.884
Interest expense on borrowings	--	590
<b><u>Halk Gayrimenkul Yatırım Ortaklığı AS</u></b>		
Financial Bonds Interest Expense	90.800	--
<b><u>Halk Portföy Yönetimi AS.</u></b>		
Performance fees	1.174	37
<b><u>Halk Sigorta AS</u></b>		
Personnel expenses (health insurance)	545.080	401.354
Financial Bonds Interest Expense	90.800	--
Interest expense on repurchase agreements	20.192	91.929
<b><u>Halk Hayat ve Emeklilik AS</u></b>		
Personnel expenses (health insurance)	59.790	59.214
Financial Bonds Interest Expense	90.800	--
Interest expense on repurchase agreements	32.731	160.155
<b><u>Bileşim AS</u></b>		
Service expenses	16.916	10.077
<b>Total</b>	<b>2.853.456</b>	<b>2.502.619</b>

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

For the year ended 31 December 2016, total wages and similar benefits provided to the top management is amounting to TL 2.110.845 (31 December 2015: TL 2.081.116).

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

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

#### **As at and for the Year Ended 31 December 2016**

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

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

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

### **24.1 Credit risk**

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

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**

**Notes to the financial statements**

**As at and for the Year Ended 31 December 2016**

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

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

**24.1 Credit risk (continued)**

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

31 December 2016	Receivables				Cash at banks <sup>(1)</sup>	Financial assets <sup>(2)</sup>
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party		
<b>Exposure to maximum credit risk as at reporting date (A+B+C+D+E)</b>	<b>24.037</b>	<b>1.105.931.789</b>	<b>--</b>	<b>504.183</b>	<b>457.665.632</b>	<b>10.503.313</b>
- Guaranteed part of maximum credit risk with collaterals etc.	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	24.037	1.105.803.952	--	504.183	457.665.632	10.503.313
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	--	127.837	--	--	--	--
- Guaranteed part of risk with collaterals etc.	--	127.837	--	--	--	--
D. Net carrying value of impaired assets	--	--	--	--	--	--
- Overdue (gross book value)	--	202.116	--	--	--	--
- Impairment (-)	--	202.116	--	--	--	--
- Guaranteed part of net value with collaterals	--	--	--	--	--	--
- Undue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Guaranteed part of net value with collaterals	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--

(1) Reverse repurchase agreements presented in cash and cash equivalents amounting to TL 1.543.612 is included.

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

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

(1) Reverse repurchase agreements presented in cash and cash equivalents amounting to TL 879.391 is included.

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

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**

**Notes to the financial statements**

**As at and for the Year Ended 31 December 2016**

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

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

**24.1 Credit risk (continued)**

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

	Receivables				Cash at banks	Financial investments
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party		
<b>31 December 2016</b>						
Overdue 1-30 days	--	--	--	--	--	--
Overdue 1-3 months	--	--	--	--	--	--
Overdue 3-12 months	--	--	--	--	--	--
Overdue 1-5 years	--	--	--	--	--	--
Overdue more than 5 years	--	80.862	--	--	--	--
Guaranteed part with collaterals etc.	--	80.862	--	--	--	--

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

**24.2 Liquidity risk**

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

Expected maturity	Carrying value	Total contractual cash outflows				
		3 months or less	3-12 months	1-5 years	More than 5 years	
<b>Non-derivative financial liabilities</b>	<b>1.487.880.767</b>	<b>1.073.121.301</b>	<b>1.073.121.301</b>	--	--	--
Financial liabilities	414.759.466	414.735.563	414.735.563	--	--	--
Trade payables	1.073.121.301	1.073.121.301	1.073.121.301	--	--	--
<b>Derivative financial liabilities</b>	--	--	--	--	--	--

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

Expected maturity	Carrying value	Total contractual cash outflows				
		3 months or less	3-12 months	1-5 years	More than 5 years	
<b>Non-derivative financial liabilities</b>	<b>59.964.766</b>	<b>60.038.736</b>	<b>60.038.736</b>	--	--	--
Financial liabilities	19.926.290	19.933.581	19.933.581	--	--	--
Trade payables	40.038.476	40.105.155	40.105.155	--	--	--
<b>Derivative financial liabilities</b>	--	--	--	--	--	--

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

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

As at 31 December 2016 and 31 December 2015, the liquidity requirement of the Company in accordance with Communiqué 34 is as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Current assets (A)	558.301.261	143.356.301
Current liabilities (B)	462.745.127	48.309.656
<b>Current assets / current liabilities (A/B)</b>	<b>1,21</b>	<b>2,97</b>

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

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

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

The assets denominated in foreign currency of the Company exposes to foreign currency risk, due to changes between currency rate at transaction date and at end of the reporting date, while translate the assets denominated in foreign currency. As of 31 December 2016 and 31 December 2015, the Company's foreign currency position is as follows:

	31 December 2016		
	TL Equivalent (Functional currency)	USD	Euro
1. Trade receivables	--	--	--
2a. Monetary financial assets (Include cash ,bank deposit accounts)	9.578.702	2.703.162	17.719
2b. Non-monetary financial assets	--	--	--
3. Other	--	--	--
<b>4. Current assets (1+2+3)</b>	<b>9.578.702</b>	<b>2.703.162</b>	<b>17.719</b>
5. Trade payables	--	--	--
6a. Monetary financial assets	--	--	--
6b. Non-monetary financial assets	--	--	--
7. Other	--	--	--
<b>8. Non-current assets (5+6+7)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. Total assets (4+8)</b>	<b>9.578.702</b>	<b>2.703.162</b>	<b>17.719</b>
10. Trade payables	74.178	21.708	--
11. Financial liabilities	--	--	--
12a. Other monetary liabilities	--	--	--
12b. Other non-monetary liabilities	--	--	--
<b>13. Short term liabilities(10+11+12)</b>	<b>74.178</b>	<b>21.708</b>	<b>--</b>
14. Trade payables	--	--	--
15. Financial liabilities	--	--	--
16a. Other monetary liabilities	--	--	--
16b. Other non-monetary liabilities	--	--	--
<b>17. Long term liabilities (14+15+16)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>18. Total liabilities (13+17)</b>	<b>74.178</b>	<b>21.708</b>	<b>--</b>
<b>19. Off balance sheet derivatives instruments' net asset/(liabilities) position (19a-19b)</b>	<b>--</b>	<b>--</b>	<b>--</b>
19a. The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	--	--	--
19b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	--	--	--
<b>20. Net foreign currency asset position (9-18+19)</b>	<b>9.504.524</b>	<b>2.682.083</b>	<b>17.719</b>
<b>21. Net foreign currency asset/(liability) position of monetary (TFRS 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>9.504.524</b>	<b>2.682.083</b>	<b>17.719</b>
22. Fair value of derivative instruments used in foreign currency hedge	--	--	--
23. The hedge amount of part of foreign currency assets	--	--	--
24. The hedge amount of part of foreign currency liabilities	--	--	--



**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**

**Notes to the financial statements**

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

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

**24.3 Market risk (continued)**

*Foreign currency risk (continued)*

	31 December 2015		
	TL Equivalent (Functional currency)	USD	Euro
1. Trade receivables	--	--	--
2a. Monetary financial assets (Include cash ,bank deposit accounts)	2.367.821	811.868	2.320
2b. Non-monetary financial assets	--	--	--
3. Other	--	--	--
<b>4. Current assets (1+2+3)</b>	<b>2.367.821</b>	<b>811.868</b>	<b>2.320</b>
5. Trade payables	--	--	--
6a. Monetary financial assets	--	--	--
6b. Non-monetary financial assets	--	--	--
7. Other	--	--	--
<b>8. Non-current assets (5+6+7)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. Total assets (4+8)</b>	<b>2.367.821</b>	<b>811.868</b>	<b>2.320</b>
10. Trade payables	--	--	--
11. Financial liabilities	--	--	--
12a. Other monetary liabilities	--	--	--
12b. Other non-monetary liabilities	--	--	--
<b>13. Short term liabilities(10+11+12)</b>	<b>--</b>	<b>--</b>	<b>--</b>
14. Trade payables	--	--	--
15. Financial liabilities	--	--	--
16a. Other monetary liabilities	--	--	--
16b. Other non-monetary liabilities	--	--	--
<b>17. Long term liabilities (14+15+16)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>18. Total liabilities (13+17)</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>19. Off balance sheet derivatives instruments' net asset/(liabilities) position (19a-19b)</b>	<b>--</b>	<b>--</b>	<b>--</b>
19a. The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	--	--	--
19b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	--	--	--
<b>20. Net foreign currency asset position (9-18+19)</b>	<b>2.367.821</b>	<b>811.868</b>	<b>2.320</b>
<b>21. Net foreign currency asset/(liability) position of monetary (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15- 16a)</b>	<b>2.367.821</b>	<b>811.868</b>	<b>2.320</b>
22. Fair value of derivative instruments used in foreign currency hedge	--	--	--
23. The hedge amount of part of foreign currency assets	--	--	--
24. The hedge amount of part of foreign currency liabilities	--	--	--

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

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

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

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

<b>31 December 2016</b>		
	<b>Strengthening of foreign currency</b>	<b>Weakening of foreign currency</b>
<u>10% movement of US Dollar against TL</u>		
1- US Dollar Net asset/liability	943.879	(943.879)
2- Hedging part of US Dollar (-)	--	--
<b>3- US Dollar net effect (1+2)</b>	<b>943.879</b>	<b>(943.879)</b>
<u>10% movement of Euro against TL</u>		
4- Euro net asset/liability	6.574	(6.574)
5- Hedging part of Euro (-)	--	--
<b>6- Sterling net effect (4+5)</b>	<b>6.574</b>	<b>(6.574)</b>
<b>Total (3+6)</b>	<b>950.453</b>	<b>(950.453)</b>
<b>31 December 2015</b>		
	<b>Strengthening of foreign currency</b>	<b>Weakening of foreign currency</b>
<u>10% movement of US Dollar against TL</u>		
1- US Dollar net asset/liability	236.059	(236.059)
2- Hedging part of US Dollar (-)	--	--
<b>3- US Dollar net effect (1+2)</b>	<b>236.059</b>	<b>(236.059)</b>
<u>10% movement of Sterling against TL</u>		
4- Sterling net asset/liability	723	(723)
5- Hedging part of Sterling (-)	--	--
<b>6- Sterling net effect (4+5)</b>	<b>723</b>	<b>(723)</b>
<b>Total (3+6)</b>	<b>236.782</b>	<b>(236.782)</b>

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**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 2016 and 31 December 2015, 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 2016	Profit / (loss)		Equity <sup>(1)</sup>	
	20% increase	20% decrease	20% increase	20% decrease
<i>Financial assets at fair value through profit or loss</i>				
1- Stocks	3.805.648	(3.805.648)	3.805.648	3.805.648
<i>Available for sale financial assets</i>				
2- Stocks	--	--	54.257	(54.257)
<b>Total (1+2)</b>	<b>3.805.648</b>	<b>(3.805.648)</b>	<b>3.859.905</b>	<b>3.751.391</b>

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

31 December 2015	Profit / (loss)		Equity <sup>(1)</sup>	
	20% increase	20% decrease	20% increase	20% decrease
<i>Financial assets at fair value through profit or loss</i>				
3- Stocks	3.748.822	(3.748.822)	3.748.822	3.748.822
<i>Available for sale financial assets</i>				
4- Stocks	--	--	57.758	(57.758)
<b>Total (3+4)</b>	<b>3.748.822</b>	<b>(3.748.822)</b>	<b>3.806.580</b>	<b>3.691.064</b>

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

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

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

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

**Interest risk position table**

		31 December 2016	31 December 2015
<b>Fixed interest rate financial instruments</b>			
	Financial assets at fair value through profit or loss	9.818.537	28.378.088
	Time deposits	436.443.513	54.583.404
	Receivables from reverse repurchase agreements	1.543.612	879.391
Financial assets	Trade receivables	37.754.195	31.448.711
Financial liabilities	Financial liabilities	414.759.466	19.926.290
<b>Floating interest rate financial instruments</b>			
	Financial assets at fair value through profit or loss	684.776	3.013.920

Equity securities are not included in financial investments.

The Company's debt securities classified as financial assets at fair value through profit or loss, are exposed to price risk depending upon interest rate changes in the market. Based on the analysis calculated by the Company, if the interest rate for TL were increased/(decreased) by 1% with the assumption of keeping all other variables constant, the effect on the fair value of fixed income financial assets and net profit/loss and the effect on equity for the year ended as at 31 December 2016 and 31 December 2015 would be as follows:

	Profit/(loss)		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2016</b>				
Financial investments	(6.848)	6.848	(6.848)	6.848
<b>31 December 2015</b>				
Financial investments	(30.139)	30.139	(30.139)	30.139

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### As at and for the Year Ended 31 December 2016

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

### 24.4 Capital management

As at 31 December 2016 and 31 December 2015, the Company should have a minimum capital amounting TL 25.000.000 and TL 25.000.000, respectively in accordance with the certificates of authorisation in the scope of Communiqué 34, in order to make portfolio management, investment advisory, reverse repo and repurchase trading, margin trading, short selling, intermediary to public offerings, brokerage for trading at Turkish Derivatives Exchange.

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

a) Non-current assets;

1) Tangible assets (net),

2) Intangible assets (net),

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

4) Other non-current assets,

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

As at 31 December 2016, the capital adequacy base for the Company is TL 102.835.906 (31 December 2015: TL 99.091.677). The base for the capital adequacy liability could not be less than following items.

a) Minimum equity capital corresponding to certificate of authorisation,

b) Risk provision,

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

As at 31 December 2016, the capital adequacy base of the Company is higher than all items presented above.

#### *Risk provision*

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

## HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

### Notes to the financial statements

#### As at and for the Year Ended 31 December 2016

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

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

### 24.4 Capital management (continued)

As at 31 December 2016 and 31 December 2015, the risk provision amounts calculated in accordance with the regulations of Communiqué 34 are as follows:

	31 December 2016	31 December 2015
Position risk	20.389.596	6.528.942
Counter party risk	24.531.688	4.042.650
Foreign currency risk	611.279	--
<b>Total</b>	<b>45.532.563</b>	<b>10.571.592</b>

## 25 Financial instruments

### *Fair value disclosures*

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

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

### *Classification relevant to fair value information*

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

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

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

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

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

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ****Notes to the financial statements****As at and for the Year Ended 31 December 2016**

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

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

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

<b>31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial investments (short term)	29.531.553	--	--	29.531.553
Financial investments (long term)	271.283	2.556.873	--	2.828.156
<b>Financial liabilities</b>				
Derivative financial instruments	--	--	--	--
<b>31 December 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Financial investments (short term)	50.136.120	--	--	50.136.120
Financial investments (long term)	288.788	785.438	--	1.074.226
<b>Financial liabilities</b>				
Derivative financial instruments	--	--	--	--

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

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

As of 31 December 2016 and 31 December 2015, the participation rate of the Company in the Istanbul Stock Exchange is 0,0377%. The Company holds 159.711 shares with a nominal value of TL 15.971.094. Related shares are valued with the price per share that is determined in the meeting of Borsa İstanbul dated 29 December 2016, numbered 2016/35 and valuation effects are recognized under equity in the financial statements at the current period.

**26 Events after reporting period**

None.