

AK YATIRIM MENKUL DEĞERLER A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2017 TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Ak Yatırım Menkul Değerler A.Ş.

A. Audit of the Financial Statements

1. Opinion

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

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

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

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



| Key audit matter | How our audit addressed the key audit matter |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Revenue recognition</p> <p>The Company has a total of TRY5,897,079,224 income that was recognised under “revenue” in the statement of profit or loss and comprehensive income for the period between 1 January 2017 and 31 December 2017. Disclosures and notes related to the revenue are presented under notes 2.D.a and 15 of the accompanying financial statements prepared as of 31 December 2017.</p> <p>We focussed on this area as a key audit matter for the following reasons: the magnitude of revenue in the financial statements; revenue being earned through variable channels, such as sales of marketable securities, intermediary commissions, and financial advisory income; revenue being generated as a result of multiple transactions and calculated by using different methods and parameters due to the nature of the Company’s operations.</p> | <p>Within the scope of the audit procedures we applied related to revenue recognition, we evaluated compliance of accounting policies determined by Company management regarding revenue recognition with TAS and the relevant legislation. Furthermore, we evaluated the design and operational efficiency of the internal controls applied by the management to understand and ensure revenue is recognised in accordance with relevant accounting standards. We tested the transaction details using a selected sample from revenue transactions realized within the period by comparing these transaction details to the relevant supporting documentation to verify that the amounts were recognised properly on a transaction basis.</p> <p>In addition, we confirmed the transaction volumes with the third parties, which were used to calculate the intermediary income based on a selected sample.</p> |

4. Other Matter

The financial statements of the Company as of 31 December 2016 and for the year then ended were audited by another audit firm whose audit report dated 31 January 2017 expressed an unqualified opinion.

5. Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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



6. Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

A handwritten signature in blue ink, appearing to read "T. Gül", is written over a faint, circular stamp or watermark.

Talar Gül, SMMM
Partner

Istanbul, 31 January 2018

AK YATIRIM MENKUL DEĞERLER A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 ORIGINALLY ISSUED IN TURKISH

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AK YATIRIM MENKUL DEĞERLER A.Ş.**CONVENIENCE TRANSLATION INTO ENGLISH OF
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | (Audited) 31 December 2017 | (Audited) 31 December 2016 |
|-----------------------------------------------------|-------|-------------------------------|-------------------------------|
| ASSETS | | | |
| Current assets | | 1,467,023,431 | 847,354,574 |
| Cash and cash equivalents | 3 | 562,485,989 | 469,835,611 |
| Financial investments | 4 | 39,890,190 | 63,920,384 |
| - <i>Financial investments held for trading</i> | 4 | 39,890,190 | 63,920,384 |
| Trade receivables | 7 | 796,897,952 | 281,706,723 |
| - <i>Trade receivables due from related parties</i> | 22 | 166,323,456 | 13,234,582 |
| - <i>Trade receivables due from other parties</i> | | 630,574,496 | 268,472,141 |
| Other receivables | 8 | 65,850,641 | 28,368,402 |
| - <i>Other receivables due from related parties</i> | 22 | 95,933 | 78,601 |
| - <i>Other receivables due from other parties</i> | | 65,754,708 | 28,289,801 |
| Prepaid expenses | 13 | 625,421 | 599,740 |
| - <i>Prepaid expenses due to related parties</i> | 22 | 140,173 | 121,564 |
| - <i>Prepaid expenses due to other parties</i> | | 485,248 | 478,176 |
| Current income tax assets | 20 | - | 2,561,325 |
| Derivative instruments | 21 | 1,272,016 | 360,879 |
| - <i>Derivative instruments held for trading</i> | | 1,272,016 | 360,879 |
| Other current assets | | 1,222 | 1,510 |
| - <i>Other current assets from other parties</i> | | 1,222 | 1,510 |
| Non-current assets | | 32,397,786 | 22,911,925 |
| Financial investments | 4 | 164,965 | 164,965 |
| - <i>Available-for-sale financial investments</i> | 4 | 164,965 | 164,965 |
| Other receivables | 8 | 19,206,813 | 14,159,480 |
| - <i>Other receivables due from other parties</i> | 8 | 19,206,813 | 14,159,480 |
| Property and equipment | 9 | 7,627,685 | 4,302,124 |
| Intangible assets | 10 | 2,646,686 | 1,862,764 |
| Deferred tax asset | 20 | 2,751,637 | 2,422,592 |
| Total assets | | 1,499,421,217 | 870,266,499 |

The accompanying explanations and notes form an integral part of these financial statements.

AK YATIRIM MENKUL DEĞERLER A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | (Audited) 31 December 2017 | (Audited) 31 December 2016 |
|-------------------------------------------------------------------------------------------------------|-------|-------------------------------|-------------------------------|
| LIABILITIES | | | |
| Short term liabilities | | 1,263,360,864 | 670,690,413 |
| Short term borrowings | 5 | 736,320,468 | 564,004,826 |
| - Short term borrowings from related parties | 22 | 36,802 | 29,047 |
| - Short term borrowings from other parties | | 736,283,666 | 563,975,779 |
| Other financial liabilities | 6 | 13,400,075 | 2,151,909 |
| - Other financial liabilities | 6 | 13,400,075 | 2,151,909 |
| Trade payables | 7 | 487,607,215 | 87,744,434 |
| - Trade payables due to related parties | 22 | 10,490,325 | 15,182,648 |
| - Trade payables due to other parties | | 477,116,890 | 72,561,786 |
| Liabilities for employee benefits | 13 | 2,840,345 | 2,450,845 |
| Derivative instruments | 21 | 188,681 | 58,160 |
| - Derivative instruments held for trading | 21 | 188,681 | 58,160 |
| Tax liability for the period | 20 | 3,340,753 | - |
| Short term provisions | | 14,269,859 | 12,593,181 |
| - Short term provisions for employee benefits | 12 | 13,561,780 | 12,098,652 |
| - Other short term provisions | 11 | 708,079 | 494,529 |
| Other current liabilities | 13 | 5,393,468 | 1,687,058 |
| - Other current liabilities due to other parties | 13 | 5,393,468 | 1,687,058 |
| Long term liabilities | | 3,533,164 | 2,587,527 |
| Long term provisions | 12 | 3,533,164 | 2,587,527 |
| - Long term provisions for employee benefits | 12 | 3,533,164 | 2,587,527 |
| Shareholders' equity | | 232,527,189 | 196,988,559 |
| Share capital | 14 | 30,000,000 | 30,000,000 |
| Adjustment to share capital | 14 | 16,802,123 | 16,802,123 |
| Accumulated other comprehensive income and expense that will not be reclassified to profit or loss | 14 | (1,876,921) | (1,603,466) |
| - Remeasurement gains (losses) of defined benefit plans | 14 | (1,876,921) | (1,603,466) |
| Restricted reserves | 14 | 61,080,554 | 59,230,554 |
| Retained earnings | 14 | 70,709,348 | 60,926,449 |
| Net profit for the period | | 55,812,085 | 31,632,899 |
| Total liabilities and equity | | 1,499,421,217 | 870,266,499 |

The accompanying explanations and notes form an integral part of these financial statements..

AK YATIRIM MENKUL DEĞERLER A.Ş.**CONVENIENCE TRANSLATION INTO ENGLISH OF
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | (Audited) 1 January - 31 December 2017 | (Audited) 1 January - 31 December 2016 |
|-------------------------------------------------------------------|-----------|----------------------------------------------|----------------------------------------------|
| PROFIT OR LOSS PART | | | |
| Sales | 15 | 5,897,079,224 | 6,875,903,330 |
| Cost of sales (-) | 15 | (5,754,460,046) | (6,778,103,625) |
| Gross profit from operating activities | | 142,619,178 | 97,799,705 |
| Interest income from operating activities | 15 | 20,299,080 | 2,352,753 |
| Gross profit from financial sector activities | | 20,299,080 | 2,352,753 |
| Gross profit | 15 | 162,918,258 | 100,152,458 |
| General administrative expenses (-) | 16 | (86,605,099) | (75,930,584) |
| Marketing, sales and distribution expenses (-) | 16 | (23,501,979) | (17,929,612) |
| Other operating income | 17 | 4,402,868 | 5,037,724 |
| Operating profit | | 57,214,048 | 11,329,986 |
| Financial income | 18 | 119,198,776 | 105,949,627 |
| Financial expenses (-) | 19 | (106,008,235) | (78,170,784) |
| Profit before tax from continuing operations | | 70,404,589 | 39,108,829 |
| Tax expense from continuing operations | | (14,592,504) | (7,475,930) |
| Tax expense for the period (-) | 20 | (14,853,185) | (8,036,627) |
| Deferred tax income | 20 | 260,681 | 560,697 |
| Net profit for the period from continuing operations | | 55,812,085 | 31,632,899 |
| OTHER COMPREHENSIVE INCOME/(EXPENSE) PART | | | |
| Items that will not be reclassified to profit or loss | | (273,455) | (1,603,466) |
| Defined benefits plans remeasurement (losses) / gains | 12 | (341,819) | (2,004,332) |
| Defined benefits plans remeasurement (losses) / gains, tax effect | | 68,364 | 400,866 |
| Other comprehensive expense | | (273,455) | (1,603,466) |
| Total comprehensive income | | 55,538,630 | 30,029,433 |
| Earnings per share from continuing operations | | 1.85 | 1.00 |

The accompanying explanations and notes form an integral part of these financial statements.

AK YATIRIM MENKUL DEĞERLER A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
AUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | Paid-in capital | Accumulated other comprehensive income or expenses not classified as profit or loss | Remeasurement loss of defined benefit plans | Adjustment to share capital | Restricted reserves | Retained earnings | Net income for the year | Total equity |
|------------------------------------------|-------|-----------------|-------------------------------------------------------------------------------------|---------------------------------------------|-----------------------------|---------------------|-------------------|-------------------------|--------------|
| | | | | | | | | | |
| 1 January 2016 | | 30,000,000 | - | 16,802,123 | 59,230,554 | 33,984,731 | 26,941,718 | 166,959,126 | |
| Transfers | | | | | | | | | |
| Total comprehensive income | | - | - | - | - | 26,941,718 | (26,941,718) | - | |
| - Net profit / (loss) for the period | | - | (1,603,466) | - | - | - | 31,632,899 | 30,029,433 | |
| - Other comprehensive income / (expense) | | - | (1,603,466) | - | - | - | 31,632,899 | 31,632,899 | |
| 31 December 2016 | 14 | 30,000,000 | (1,603,466) | 16,802,123 | 59,230,554 | 60,926,449 | 31,632,899 | 196,988,559 | |
| 1 January 2017 | | 30,000,000 | (1,603,466) | 16,802,123 | 59,230,554 | 60,926,449 | 31,632,899 | 196,988,559 | |
| Transfers | | | | | | | | | |
| Dividend payment(-) | 14 | - | - | - | 1,850,000 | 29,782,899 | (31,632,899) | - | |
| Total comprehensive income | | - | - | - | - | (20,000,000) | - | (20,000,000) | |
| - Net profit / (loss) for the period | | - | (273,455) | - | - | - | 55,812,085 | 55,538,630 | |
| - Other comprehensive income / (expense) | | - | (273,455) | - | - | - | 55,812,085 | 55,812,085 | |
| 31 December 2017 | 14 | 30,000,000 | (1,876,921) | 16,802,123 | 61,080,554 | 70,709,348 | 55,812,085 | 232,527,189 | |

The accompanying explanations and notes form an integral part of these financial statements.

AK YATIRIM MENKUL DEĞERLER A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF AUDITED STATEMENTS OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017 ORIGINALLY ISSUED IN TURKISH (Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

| | Notes | 1 January - 31 December 2017 | 1 January - 31 December 2016 |
|-------------------------------------------------------------------------------------------------------|-------|---------------------------------|---------------------------------|
| A. Cash flows from operating activities | | (52,330,742) | (43,652,625) |
| Net profit for the period | | 55,812,085 | 31,632,899 |
| Adjustments to reconcile net income / (loss) to net cash provided by operating activities | | 10,472,429 | (35,765,258) |
| Depreciation and amortization | 9,10 | 1,955,656 | 1,900,707 |
| Adjustments for provisions | | 12,027,287 | 10,489,115 |
| - Adjustments for employee benefits provisions / (cancellations) | | 11,813,737 | 10,186,186 |
| - Adjustments for lawsuit provisions / (cancellations) | | 213,550 | 302,929 |
| Adjustments for interest income and expenses | | (15,635,587) | (55,637,664) |
| - Adjustments for interest income | | (117,594,744) | (73,134,619) |
| - Adjustments for interest expense | | 101,959,157 | 17,496,955 |
| Adjustments for unrealized foreign currency translation differences | | (987,487) | - |
| Adjustments for fair value losses / (gains) | | (1,498,520) | - |
| - Adjustments for fair value losses / (gains) of financial assets | | (415,185) | - |
| - Adjustments for fair value losses / (gains) of derivative financial instruments | | (1,083,335) | - |
| Adjustments for tax income/expense | 20 | 14,592,504 | 7,475,930 |
| Adjustments for losses / (gains) arising from disposal of fixed assets | | 18,576 | 6,654 |
| - Adjustments for losses / (gains) arising from disposal of tangible assets | | 18,576 | 6,654 |
| Changes in operating profit | | (115,194,226) | (75,288,985) |
| Adjustments for decrease / (increase) in financial investments | | 24,445,379 | (35,020,144) |
| Adjustments for (increase) / decrease in trade receivables | | (515,191,229) | 161,514,697 |
| - Net (increase) / decrease in trade receivables due from related parties | | (153,088,874) | 167,895,784 |
| - Net (increase) / decrease in trade receivables due from other parties | | (362,102,355) | (6,381,087) |
| Adjustments for (increase) / decrease in other receivables related to operations | | (45,938,402) | (2,930,371) |
| - Net (increase) / decrease in other receivables due from related parties | | (17,332) | (78,601) |
| - Net (increase) / decrease in other receivables due from other parties | | (45,921,070) | (2,851,770) |
| Adjustments for decrease / (increase) in derivatives | | 172,198 | (360,879) |
| Adjustments for (increase) / decrease in prepaid expenses | | (25,681) | (234,754) |
| Adjustments for increase / (decrease) in trade payables | | 399,862,781 | (199,471,735) |
| - Net (decrease) / increase in trade payables due to related parties | | (4,692,323) | 13,456,821 |
| - Net increase / (decrease) in trade payables due to other parties | | 404,555,104 | (212,928,556) |
| Adjustments for increase / (decrease) in payables due to employee benefits | | 527,264 | 930,831 |
| Adjustments for increase / (decrease) in other payables related to operations | | 20,822,943 | 225,210 |
| - Net increase / (decrease) in other liabilities due to related parties | | 7,755 | - |
| - Net Increase / (decrease) in other liabilities due to other parties | | 20,815,188 | 225,210 |
| Adjustments for increase in derivative liabilities | | 130,521 | 58,160 |
| Net cash flow provided by operating activities | | (48,909,712) | (79,421,344) |
| Dividend received | | 836,080 | - |
| Interest received | | 116,469,345 | 70,355,237 |
| Interest paid | | (101,959,157) | (14,838,415) |
| Payments for provision for employee benefits | | (9,816,191) | (7,078,987) |
| Tax returns (payments) | | (8,951,107) | (12,647,116) |
| Other cash out flows | | - | (22,000) |
| B. Net cash provided by investing activities | | (6,083,715) | (2,012,444) |
| Cash inflows from sale of property, plant and equipment and intangible assets | | 9,634 | 7,613 |
| - Cash inflows from sale of property, plant and equipment | | 9,634 | 7,613 |
| Cash outflows from purchase of property, plant and equipment and intangible assets | | (6,093,349) | (2,020,057) |
| - Cash outflows from purchase of property, plant and equipment | | (4,814,469) | (1,677,569) |
| - Cash outflows from purchase of intangible assets | | (1,278,880) | (342,488) |
| C. Net cash provided from financing activities | | 149,788,028 | 476,617,131 |
| Cash inflows from borrowings | | 462,009,526 | 561,346,286 |
| Cash outflows from debt payments | | (292,221,498) | (84,729,155) |
| Dividend paid | | (20,000,000) | - |
| Net increase/decrease in cash and cash equivalents before exchange currency effect (A+B+C) | | 91,373,571 | 430,952,062 |
| D. Exchange currency effect on cash and cash equivalents | | 987,487 | - |
| Net increase/decrease in cash and cash equivalents (A+B+C+D) | | 92,361,058 | 430,952,062 |
| E. Cash and cash equivalents at the beginning of the period | | 467,044,869 | 36,092,807 |
| Cash and cash equivalents at the end of period (A+B+C+D+E) | 3 | 559,405,927 | 467,044,869 |

The accompanying explanations and notes form an integral part of these financial statements..

AK YATIRIM MENKUL DEĞERLER A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

1. ORGANIZATION AND NATURE OF OPERATIONS

Ak Yatırım Menkul Değerler A.Ş. ("the Company") was incorporated on 11 December 1996 in accordance with the Capital Market's Law and other related regulations to perform capital market operations.

The main business operation of the Company is to provide intermediary services.

The Company, which is a 100% Akbank T.A.Ş. subsidiary was authorized by the Capital Markets Board as a "Wide Authorized Intermediary Institution" as of 15 October 2015.

As of 31 December 2017, the headquarters of the Company is located in İstanbul and the total number of employees is 198 (31 December 2016:196).

The address of the headquarter is Sabancı Center 4.Levent, 34330 Istanbul, Turkey.

The company's main shareholder is Akbank T.A.Ş. and the ultimate controlling party is Hacı Ömer Sabancı Holding A.Ş.

Approval of the financial statements:

The financial statements for the period then ended 31 December 2017 have been approved by the Board of Directors on 31 January 2018. The General Assembly and the regulated bodies have the right to amend the financial statements within the legal framework.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

A. BASIS OF PRESENTATION

(a) Accounting standards and compliance to TAS

These financial statements had been prepared in accordance with clauses of "Principles Statement Related To Financial Reporting In Capital Market" Series II, 14,1 , which had been published in Official Gazette dated 13 June 2013 no. 28676 by Capital Market Board ("CMB"). Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS / TFRS") and additions and comments related to these standards ("TAS / TFRS") which had been constituted by Public Oversight Accounting And Auditing Standards Board had been grounded on relying on the 5. article of this communiqué.

The Company's functional currency is the Turkish Lira (TL) and prepares their statutory financial legislation in TL according to the requirements of the accounting records and the Uniform Chart of Accounts issued by the Ministry of Finance in Turkey.

The accompanying financial statements are based on the Company's statutory records and denominated in try to express the Company's status according to Turkish Accounting Standards published by the Public Oversight, Accounting and Auditing Standards Authority ("POA"), certain adjustments and reclassifications has been made.

The accompanying financial statements of the Company have been prepared in accordance with the 2016 TAS Taxonomy approved by the Board of Directors dated 2 June 2006 and numbered 30, developed by the POA based on Article 9 (b) of the Decree Law No. 660.

AK YATIRIM MENKUL DEĞERLER A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

A. BASIS OF PRESENTATION (Continued)

(b) Financial statement amendments in hyperinflation economies

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards, the application of inflation accounting is no longer required.

(c) Comparative figures and the reclassification to the financial statements of the prior period

The Company complies with the principles and articles of valid commercial laws and regulations and Communiqués announced by CMB in the accounting records and the preparation of the financial statements.

In order to allow the determination of the financial position and performance trends, current year financial statements of the Company are prepared in comparative with the previous year the Company prepared its statement of financial position (balance sheet) as of 31 December 2017 in comparison with the statement of financial position (balance sheet) prepared as of 31 December 2016; prepared statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows between 1 January - 31 December 2017 in comparison with 1 January - 31 December 2016. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

Classifications in 2016 financial statements

TL 2,807,074 classified in "Long term provisions" in the financial statement of the Company the year ended 31 December 2016 has been classified in "Short term provisions" in the comparative financial statements as of 31 December 2017.

TL 2,151,909 classified in trade payables as "Liabilites arising from short selling transactions" in the financial statement of the Company the year ended 31 December 2016 has been classified in "Other financial liabilities" in the comparative financial statements as of 31 December 2017.

(d) Offsetting

Financial assets and liabilities are offset and the net amount reported in the financial statements when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(e) Going concern

The Company prepared its financial statements based on going concern principle.

(f) Functional and presentation currency

Functional and presentation currency of the Company is Turkish Lira (TL).

AK YATIRIM MENKUL DEĞERLER A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

A. BASIS OF PRESENTATION (Continued)

(g) New standards, amendments and interpretations

The Company adopted the standards, amendments and interpretations published by the TAS and TFRS and which are mandatory for the accounting periods beginning on or after 31 December 2017.

New standards, amendments and interpretations effective as of 31 December 2017:

- **Amendments to TAS 7, 'Statement of cash flows'**; on disclosure initiative effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- **Amendments TAS 12, 'Income Taxes'**; effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.

Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2017:

- **TFRS 12, 'Disclosure of interests in other entities'**; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of TFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

Standards, amendments and interpretations effective after 1 January 2018:

- **TFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- **TFRS 15, 'Revenue from contracts with customers'**; effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- **Amendment to TFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

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BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

A. BASIS OF PRESENTATION (Continued)

- **Amendments to TFRS 4, 'Insurance contracts'** regarding the implementation of TFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39.
 - **Amendment to TAS 40, 'Investment property' relating to transfers of investment property;** effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
 - **Amendments to TFRS 2, 'Share based payments';** on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- Annual improvements 2014-2016;** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:
- **TFRS 1, 'First time adoption of TFRS';** regarding the deletion of short term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10,
 - **TAS 28, 'Investments in associates and joint venture';** regarding measuring an associate or joint venture at fair value.
- **TFRS Interpretation 22, 'Foreign currency transactions and advance consideration';** effective from annual periods beginning on or after 1 January 2018. This TFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

A. BASIS OF PRESENTATION (Continued)

- **Amendment to TFRS 9, 'Financial instruments'**; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.
- **Amendment to TAS 28, 'Investments in associates and joint venture'**; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long term interests in associate or joint venture to which the equity method is not applied using TFRS 9.
- **TFRS 16, 'Leases'**; effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **TFRS Interpretation 23, 'Uncertainty over income tax treatments'**; effective from annual periods beginning on or after 1 January 2019. This TFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. TFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

A. BASIS OF PRESENTATION (Continued)

- **TFRS 17, 'Insurance contracts'**; effective from annual periods beginning on or after 1 January 2021. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The Company management does not foresee any material impact of adoption of the aforementioned standards and interpretations on the financial statements of the Company in the upcoming periods.

B. CHANGES IN ACCOUNTING POLICIES AND THE ERRORS

Significant changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period financial statements. There have been no changes in the The accounting policies of the Company are not changed within the year of 2017.

C. CHANGES IN THE ACCOUNTING ESTIMATES

The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The accounting estimates are not changed for the 1 January - 31 December 2017 period.

D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below:

(a) Fee, commission and interest income/expense

Sales and interest income

- **Interest income:** Interest income is recognized in the income statement in the period to which they relate on an accrual basis. Interest income from customers is reported in "Financial income".
- **Securities trading gains / losses:** Securities trading gains / losses are accounted for on the date the Company issues its purchase / sale order on its behalf.

Service income

- **Commission income:** Commission income arises from commissions received from financial services and is recognized on the date that the service is rendered.
- **Intermediary services for capital markets:** Intermediary service fees paid to customers for trading transactions in capital markets are reflected in the income statement on the date of purchase transaction. Income arising from transactions is associated with the income statement on a daily basis on an accrual basis until the collection becomes doubtful in the direction of the management's estimation and interpretation.

Other income

Dividends and similar income are recognized as income when it is entitled to receive dividends. Other income and expense are accounted for on an accrual basis.

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

(b) Property and equipment

Property and equipment except lands are carried at cost less accumulated depreciation and provision for impairment, if any.

Depreciation is provided using the straight-line method based on the estimated useful lives of the property and equipment. The approximate economic useful lives of property and equipment are as follows:

| | |
|------------------------|----------------|
| Furniture and fixtures | 5 years |
| Leasehold improvements | Lease Duration |

Expenditures for the repair and renewal of property and equipment are recognized as expense. The capital expenditures incurred in order to increase the capacity of the tangible asset or to increase the future benefit of the asset are capitalized on the cost of the tangible asset. Capital expenditures include the cost components that increase the useful life, or the capacity of the asset, increase the quality of the product or decrease the costs.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Company estimate the recoverable amount of that asset and book value of the asset is increased to reestimated recoverable amount and impairment provision is reversed through income statement. Increased book value of the asset due to reversal of impairment loss, cannot exceed the book value that may be realized if impairment loss is not recognized for the asset in prior periods.

Gains and losses on the disposal of premises and equipment are determined in reference to their carrying amounts and are taken into account in determining operating profit and they are reflected to related income and expense accounts in the current period.

(c) Intangible assets

Intangible assets comprise acquired intellectual property and computer software. These are recorded at cost of acquisition and subject to depreciation on a straight-line basis over their estimated useful lives of 5 years from the date of acquisition.

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments

(i) *Financial assets held for trading*

Trading securities are securities which were either acquired for generating a profit from short term fluctuations in price or a dealer's margin, or are securities included in a portfolio in which a pattern of short term profit making exists.

Marketable securities held for trading are valued at fair value subsequent to their acquisition.

The fair value of trading securities is determined based on the best bid price or other exit prices as of the balance sheet date.

Profit and loss due to the changes in fair value of trading securities are included into "Financial income" in the income statement. Interest and coupon income from trading securities is also included into "Financial income" in the income statement.

Trading securities are recorded and derecognized at the transaction date.

(ii) *Available for sale financial assets*

Available-for-sale financial assets are reflected to the financial statements at cost at their initial acquisition date. Debt securities available for sale are reflected to the financial statements at fair value by quoted market prices or discounted cash flow method as of the balance sheet date. The effect of all changes in fair value is recognized in equity. If a not temporary impairment in the fair value of such assets is identified, the effect of such impairment is reflected in the income statement. When these securities are derecognized, the accumulated fair value adjustments are transferred to the income statement.

Marketable securities in the portfolio are reflected in the financial statements at the transaction dates.

Available for sale financial instruments whose fair values cannot be determined reliably and that are not operating in organized markets are carried in financial statements with their historic costs deducting impairment loss, if any.

(iii) *Sale and repurchase agreements*

Securities sold under sale and repurchase agreements ("repos") are retained in the financial statements and the counterparty liability is recorded as due to customers. Securities purchased under agreements to resell ("reverse repos") are recorded as reverse repo receivables on the cash and due from banks account, together with the difference between the sale and repurchase price, which is accrued evenly over the life of the agreement using the effective field method.

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iv) *Trade receivables and provision for credit impairment*

Credits originated by the Company by providing money directly to the borrower are categorized as loans originated by the Company and are carried at amortized cost. All originated loans are recognized when cash is advanced to borrowers.

The company provides credits to shareholders for purchases of shares.

A credit risk provision for loan impairment is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception.

Trade receivables and payables related to financial assets recognized according to date of transaction are recorded on the date in which the transaction is made on the balance sheet.

(e) **Foreign exchange transactions**

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions. The foreign currency denominated monetary assets and liabilities are translated with the buy exchange rates declared by the Central Bank of the Republic of Turkey. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(f) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

(g) **Subsequent events**

Subsequent events cover any events which arise between the reporting date and the balance sheet date, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts its financial statements if such subsequent events arise which require an adjustment to the financial statements.

(h) **Provisions, contingent liabilities and assets**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the amount can not be reliably measured and there is no possibility of recourse from the Company to settle the obligation, the liability is considered "contingent" and is included in the explanatory notes

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Operational lease (the Company as "lessee")

The operational leasing transactions are recognized on an accrual basis in accordance with the related articles in the agreement.

(j) Related parties

- a) A person or that person's immediate family are considered as related party to the Company if the following conditions have been met :

Certain party,

- (i) If it has control or joint control over the Company,
- (ii) If it has significant influence over the Company,
- (iii) In the case of a member of the Company or the parent Company's key management personnel.

- b) If any of the following conditions are present, the company is considered as related party:

- (i) In the case of the Company and the entity are members of a same group,
- (ii) In the case of the Entity, (or other entity that is a member of a member of a group) is a subsidiary or joint venture of the other entity,
- (iii) In the event of the Company and the Entity are both joint venture of a third party,
- (iv) In the event of the Company is a joint venture of a third entity of one and the other entity is a subsidiary of such third the company,
- (v) In the event of the Company, has post-employment benefit plans related to the entity or the associated entity's employees (in the event of the company itself has such plan, the sponsoring employers are also recognized related to the Company),
- (vi) If the Company is controlled or jointly controlled by a person defined at (a),
- (vii) In the event of a person defined at article (a) subparagraph (i) have a significant influence over the Company or the respective entity (or of a parent of the entity) is member of the entity's key management.

(k) Taxation on corporate income

Corporate tax

Corporate tax is calculated according to the Tax Procedural Law, and tax expenses except corporate tax are recognized in operating expenses.

Corporate tax is subject to offsetting when a legal right exists about netting off the current tax assets / liabilities or when they are related to the corporate tax collected by the same tax regulator.

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS(Continued)

D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

The significant temporary differences result from the impairment on property and equipment, personnel bonus provision, difference between the carrying value and tax base of property and equipment, and employment termination benefits.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

(l) Employee benefits

The Company accounts for employee termination benefits, vacation rights and other benefits to employees in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") and they are classified under "provisions for employee benefits" in the balance sheet.

Under the Turkish Labour Law, the Company is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Company arising from this liability regarding the actuarial projections and reflected to financial statements.

The Company have to pay contribution to Social Security Institution (Institution) on behalf of the employees in the amounts determined by law. These contributions are expensed when they are accrued.

The Company recognizes as an obligation and an expense based on a method that takes into consideration the Company's profitability, budget performance and performance criteria.

(m) Cash and cash equivalents

Cash equivalents consist of receivables from reverse repurchase agreements and receivables from banks whose original maturity is less than three months, excluding cash and interest income accruals.

(n) Share capital and dividends

Ordinary shares are classified in equity. Dividends over ordinary shares are classified as dividend payable by deducting from accumulated profits, when the decision of dividend distribution is taken.

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS(Continued)

D. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Borsa Istanbul Futures and Options Market ("VIOP") operations

Guarantees in cash to take position at VIOP are classified in trade receivables. Gains or losses from the operations during the period are recorded in the income statement as other operating income/expenses. Open positions are valued by their market price. Gain and loss resulting from the valuation of open positions are presented in the trade receivables after offsetting the paid commissions and interest income from the remaining margin.

E. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

Preparation of financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during financial period. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results. In addition, significant accounting estimates, that need to be explained are disclosed in the related notes.

F. SEGMENT REPORTING

Since the Company is not publicly traded, there is no segment reporting in the financial statements as of 31 December 2017.

3. CASH AND CASH EQUIVALENTS

| | 31 December 2017 | 31 December 2016 |
|-----------------|--------------------|--------------------|
| Demand deposits | 23,905,927 | 18,768,791 |
| Time deposits | 538,580,062 | 451,066,820 |
| | 562,485,989 | 469,835,611 |

The average maturity of time deposits is 54 days and average interest rate is 15.18% (31 December 2016: 71 days, 11.28 %).

As of 31 December 2017, the customer deposits held in banks are amounting to TL 6.054.394 (31 December 2016: TL 6,780,627) (Note 11).

As of 31 December 2017, the deposits in the banks amounting to TL 283.182.686 (31 December 2016: TL469,810,307) are held in related party banks and other entities (Note 22).

The cash and cash equivalents for cash flow purposes are amounting to TL 559,405,927 which is calculated by deducting interest accruals from the total cash and cash equivalents (31 December 2016 : TL 467,044,869).

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4. FINANCIAL INVESTMENTS

Short term financial investments

| | 31 December 2017 | 31 December 2016 |
|------------------------------------------|-------------------|-------------------|
| <i>Financial assets held for trading</i> | | |
| Common stocks | 23,431,345 | 7,267,615 |
| Government bonds and treasury bills (*) | 9,525,043 | 9,864,560 |
| Corporate bonds and bills (**) | 6,933,802 | 46,788,209 |
| | 39,890,190 | 63,920,384 |

(*) Securities with a carrying amount of TL 9,525,043 (31 December 2016: TL 9,630,555) and a nominal value of TL 10,290,000 (31 December 2016: TL 10,250,000) as of 31 December 2017 have been pledged at Istanbul Settlement and Custody Bank Inc ("Takasbank") as transaction limit collateral (Note 11).

(**) As of 31 December 2017, TL 4,718,042 of the corporate bonds and bills of the Company, are securities issued by the related parties (31 December 2016: None) (Note 22).

Long term financial investments

| | 31 December 2017 | 31 December 2016 |
|--------------------------------------------|------------------|------------------|
| <i>Available for sale financial assets</i> | | |
| Share certificates | 164,965 | 164,965 |
| | 164,965 | 164,965 |

The details of share certificates which has classified long term available for sale financial assets are as follows:

| | Share % | 31 December 2017 | 31 December 2016 |
|-----------------------------------------------------------|---------|------------------|------------------|
| <i>Share certificates, not listed in the stock market</i> | | | |
| Borsa Istanbul ("BIST") | 0.03774 | 159,711 | 159,711 |
| Ak Finansal Kiralama A.Ş. ("Ak Lease") | 0.002 | 5,254 | 5,254 |
| | | 164,965 | 164,965 |

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5. SHORT TERM BORROWINGS

| | 31 December 2017 | 31 December 2016 |
|-----------------------------------------|--------------------|--------------------|
| Money market payables (*) | 507,522,261 | 271,725,168 |
| Issued bonds and notes | 193,292,651 | 270,836,303 |
| Structured debt securities ("SDS") (**) | 35,468,754 | 21,414,308 |
| Bank borrowings (Note 22) | 36,802 | 29,047 |
| Total | 736,320,468 | 564,004,826 |

(*) Money market payables have an average maturity of 25 days and the average interest rate is 14.06% (31 December 2016: 19 days, 10.71%).

(**) Total nominal amount of structured debt instruments are amounting to TL35,562,000 which have variable interest rate and average maturity of 43 days (31 December 2016: TL 21,471,000 nominal, 32 days).

The details of bonds and notes issued as of 31 December 2017 and 2016 are as follows:

31 December 2017

| Type | Nominal amount issued (TL) | Nominal amount sold (TL) | Issue price (TL) | Maturity | Redemption plan | Interest rate (%) |
|------|----------------------------|--------------------------|------------------|----------|-----------------|-------------------|
| Bond | 200,000,000 | 200,000,000 | 96.534 | 91 | At maturity | 14.40 |

- With the decision of the Capital Markets Board dated 27 November 2017 and numbered 43/1437, on 28 December 2017 bonds with TL 200,000,000 nominal and have fixed-interest (discounted) coupons were sold to Qualified Investors.

31 December 2016

| Type | Nominal amount issued (TL) | Nominal amount sold (TL) | Issue price (TL) | Maturity | Redemption plan | Interest rate (%) |
|------|----------------------------|--------------------------|------------------|----------|-----------------|-------------------|
| Bond | 100,000,000 | 100,000,000 | 98.786 | 120 | At maturity | 10.10% |
| Bond | 176,600,000 | 176,600,000 | 97.333 | 93 | At maturity | 10.75% |

- As of 1 November 2016, bonds with a nominal value of TL100,000,000 with a maturity of 120 days, with fixed interest rates (discounted) were sold to Qualified Investors within the scope of the issuance certificate dated 25 October 2016 and numbered 29/973 of the Capital Markets Board.
- With the decision of the Capital Markets Board dated 9 December 2016 and numbered 34/1225, bonds which were 93 day maturity, with a nominal value of TL 176,600,000 with fixed interest rate (discounted) and pre-maturity payment sold to Qualified Investors on 20 December 2016.

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6. OTHER FINANCIAL LIABILITIES

| | 31 December 2017 | 31 December 2016 |
|---------------------------------------------------------|-------------------|------------------|
| Liabilities arising from short selling transactions (*) | 13,400,075 | 2,151,909 |
| | 13,400,075 | 2,151,909 |

(*) As of 31 December 2017, the liabilities arising from short selling transactions are consist of common stocks with a nominal value of TL 1,352,547 (31 December 2016: TL 163,684 nominal).

7. TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

| | 31 December 2017 | 31 December 2016 |
|-----------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Receivables from customers | 410,872,319 | 67,586,885 |
| Margin trading customers (*) | 284,888,149 | 193,638,319 |
| Receivables from exchange and keeping Receivables from Borsa Istanbul Futures and Options Market ("VIOP") | 88,446,619 | 9,514,863 |
| Receivables from consultancy | 12,624,936 | 10,804,483 |
| Doubtful trade receivables | 65,929 | 162,173 |
| Provision for doubtful trade receivables | 9,500 | 9,500 |
| | (9,500) | (9,500) |
| | 796,897,952 | 281,706,723 |

(*) As of 31 December 2017, the Company has granted loans amounting to TL 284,888,149 (31 December 2016: TL 193,638,319) to its customers to be used in stock transactions. As of 31 December 2017, the Company holds common stocks which are listed on the stock market amounting to TL 585,171,830 as collateral (31 December 2016: TL 356,063,524) (Note 11).

Short term trade payables

| | 31 December 2017 | 31 December 2016 |
|----------------------------------------------------------------------------|--------------------|-------------------|
| Payables to exchange and keeping | 249,496,026 | 5,151,727 |
| Payables to customers | 232,634,783 | 79,361,656 |
| Payables to suppliers | 3,575,194 | 2,276,079 |
| Guarantees received from the customers in order to obtain short selling | 493,220 | 626,000 |
| Other | 1,407,992 | 328,972 |
| | 487,607,215 | 87,744,434 |

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8. OTHER RECEIVABLES AND PAYABLES

Other short term receivables

| | 31 December 2017 | 31 December 2016 |
|---------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Deposits and guarantees given | 39,887,263 | 26,539,271 |
| Suspense account for unrealized profit / loss provision related to customers' leveraged transactions | 22,137,496 | - |
| Derivative market guarantees (Note 11) | 1,951,763 | 1,210,985 |
| Other short term receivables | 1,874,119 | 618,146 |
| Doubtful other receivables | 289,832 | 289,832 |
| Provision for doubtful other receivables | (289,832) | (289,832) |
| | 65,850,641 | 28,368,402 |

Other long term receivables

| | | |
|-------------------------------|-------------------|-------------------|
| Deposits and guarantees given | 19,206,813 | 14,159,480 |
| | 19,206,813 | 14,159,480 |

- a) As of 31 December 2017, TL 3,855,430 consists of VIOP transaction guarantees (31 December 2016: TL 3,465,734) (Note 11).
- b) As of 31 December 2017, TL 5,657,850 includes the guarantee amount given to Saxobank for CFD transactions (31 December 2016: TL 10,327,373) (Note 11).
- c) As of 31 December 2017, TL 8,272,640 was given to Takasbank as a collateral for the Equity Market transactions (31 December 2016: TL 6,238) (Note 11).
- d) The balance of TL 1,420,893 (TL 360,135) consists of other collaterals.

9. PROPERTY AND EQUIPMENT

| | Furniture and fixtures | Construction in progress | Leasehold improvements | Total |
|----------------------------------|---------------------------|-----------------------------|---------------------------|-------------|
| Net book value , 1 January 2017 | 2,782,649 | 164,947 | 1,354,528 | 4,302,124 |
| Addition | 725,221 | 3,892,980 | 196,268 | 4,814,469 |
| Disposals | (5,701) | - | (24,198) | (29,899) |
| Transfers | 54,447 | (263,122) | - | (208,675) |
| Depreciation of disposals | 1,405 | - | 6,050 | 7,455 |
| Depreciation expenses | (881,259) | - | (376,530) | (1,257,789) |
| Net book value, 31 December 2017 | 2,676,762 | 3,794,805 | 1,156,118 | 7,627,685 |
| 31 December 2017 | | | | |
| Cost | 6,580,213 | 3,794,805 | 2,820,791 | 13,195,809 |
| Accumulated depreciation | (3,903,451) | - | (1,664,673) | (5,568,124) |
| Net book value, 31 December 2017 | 2,676,762 | 3,794,805 | 1,156,118 | 7,627,685 |

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9. PROPERTY AND EQUIPMENT (Continued)

| | Furniture and fixtures | Construction in progress | Leasehold improvement | Total |
|-----------------------------------------|-----------------------------------|-------------------------------------|----------------------------------|------------------|
| Net book value, 1 January 2016 | 2,545,650 | - | 1,451,522 | 3,997,172 |
| Addition | 1,108,235 | 378,946 | 190,388 | 1,677,569 |
| Disposal | (73,256) | - | - | (73,256) |
| Transfers | - | (213,999) | 174,249 | (39,750) |
| Depreciation of disposals | 58,989 | - | - | 58,989 |
| Depreciation expense | (856,969) | - | (461,631) | (1,318,600) |
| Net book value, 31 December 2016 | 2,782,649 | 164,947 | 1,354,528 | 4,302,124 |
| 31 December 2016 | | | | |
| Cost | 5,806,246 | 164,947 | 2,648,721 | 8,619,914 |
| Accumulated depreciation | (3,023,597) | - | (1,294,193) | (4,317,790) |
| Net book value, 31 December 2016 | 2,782,649 | 164,947 | 1,354,528 | 4,302,124 |

10. INTANGIBLE ASSETS

| | Computer software |
|-----------------------------------------|--------------------------|
| Net book value, 1 January 2017 | 1,862,764 |
| Additions | 1,278,880 |
| Amortization expense | (697,867) |
| Transfers | 208,675 |
| Disposals, net | (5,766) |
| Net book value, 31 December 2017 | 2,646,686 |
| 31 December 2017 | |
| Cost | 6,013,526 |
| Accumulated amortization | (3,366,840) |
| Net book value, 31 December 2017 | 2,646,686 |

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10. INTANGIBLE ASSETS (Continued)

| | Computer software |
|-----------------------------------------|--------------------------|
| Net book value, 1 January 2016 | 2,062,633 |
| Additions | 342,488 |
| Amortization expense | (582,107) |
| Transfers | 39,750 |
| Disposals, net | - |
| Net book value, 31 December 2016 | 1,862,764 |
| 31 December 2016 | |
| Cost | 4,532,754 |
| Accumulated amortization | (2,669,990) |
| Net book value, 31 December 2016 | 1,862,764 |

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**a) Lawsuit provisions**

| | 31 December 2017 | 31 December 2016 |
|-----------------------------------|-------------------------|-------------------------|
| Short term debt provisions | | |
| Lawsuit provisions (*) | 708,079 | 494,529 |
| | 708,079 | 494,529 |

(*) Total amount of several outstanding legal cases against the Company is TL 1,716,929 (31 December 2016: TL 505,029). Related to the legal cases against the Company, based on the best estimates, TL 708,079 (31 December 2016: 494,529) has been reflected to the financial statements as of 31 December 2017.

| | 2017 | 2016 |
|-------------------------------------------|----------------|----------------|
| Beginning of the period, 1 January | 494,529 | 213,600 |
| Payments during the period | (69,400) | (22,000) |
| Provision charge for the period | 282,950 | 302,929 |
| End of the period, 31 December | 708,079 | 494,529 |

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11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

(b) Letters of guarantees given

The letters of guarantees (TL) given to third parties are as follows:

| | 31 December 2017 | 31 December 2016 |
|--------------------------------------------|--------------------|--------------------|
| Istanbul Settlement and Custody Bank Inc. | 576,000,000 | 166,000,000 |
| Borsa Istanbul | 58,250,000 | 84,750,000 |
| Privatization Administration | 370,000 | 370,000 |
| İstanbul 6th Civil Court of First Instance | 180,000 | - |
| Istanbul 2nd Executive Directorate | 122,706 | 122,706 |
| Istanbul Chamber of Commerce | 28,011 | 28,011 |
| Central Bank of the Republic of Turkey | 1,800 | 1,800 |
| Other | 9,000 | 9,000 |
| | 634,961,517 | 251,281,517 |

The total amount of letters of guarantee denominated in foreign currency given to third parties are amounting to USD 65,505,000; USD 46,500,000 to İstanbul Settlement and Custody Bank Inc. (31 December 2016: USD 46,500,000), USD 10,000,000 to BNP Paribas (31 December 2016: USD 10,000,000) and \$ 9,005,000 to Borsa Istanbul (31 December 2016: USD 9,005,000).

(c) Equity Market Transactions

Securities with a carrying amount of TL 9,525,043 (31 December 2016: TL 9,630,555) and a nominal value of TL 10,290,000 (31 December 2016: TL 10,250,000) as of 31 December 2017 have been pledged at Takasbank as transaction limit collateral (Note 4).

As of 31 December 2017, TL 8,272,640 was given to Takasbank as a collateral for the Equity Market transactions (31 December 2016: TL 6,238) (Note 8).

(d) VIOP Transactions

The balance of TL 1,951,763 (31 December 2016: TL 1,210,985) classified as other receivables as of 31 December 2017 consists of the account held at Takasbank for VIOP transactions. (Note 8).

As of 31 December 2017, TL 3,855,430 consists of VIOP transaction guarantees (31 December 2016: TL 3,465,734) (Note 8).

(e) Custody service / other

As of 31 December 2017, the nominal amounts of treasury bills and government bonds, share certificates and mutual funds held by the Company on behalf of its customers are TL 396,023,751, TL 9,216,789,821 and TL 1,761,018,247 respectively (31 December 2016: TL 162,898,515 TL 8,676,165,339, TL 3,160,062,970).

As of 31 December 2017, the maturity value of the repo / reverse repo transactions made on behalf of the customers is TL 883,818,907 (31 December 2016: TL 1,110,931,720). The customer's money amount held in the banks was TL 6,054,394 as of 31 December 2017 (31 December 2016: TL 6,780,627).

As of 31 December 2017, the shares of the Company amounting to TL 585,171,830 which are quoted on the stock exchange against the loans given are kept as collateral (31 December 2016: TL 356,063,524). (Note 7).

As of 31 December 2017, TL 5,657,850 includes the guarantee amount given to Saxobank for CFD transactions (31 December 2016: TL 10,327,373) (Note 11).

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11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

(f) CPM

As of 31 December 2017, the guarantee, pledge and mortgage (CPM) position of the Company is as follows

| CPMs given by the Company | 31 December 2017 | 31 December 2016 |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| A. Total amount of CPM given on behalf of its own legal entity | 941,133,942 | 523,330,827 |
| B. Total amount of CPM given on behalf of its subsidiaries included in consolidation | - | - |
| C. The total amount of CPM given in order to guarantee the debts of third parties to run the ordinary commercial activities | - | - |
| D. The total amount of other CPM | - | - |
| i. Total amount of CPM given on behalf of the main partner | - | - |
| ii. Total amount of CPM given on behalf of other group companies which are not in the scope of B ve C | - | - |
| iii. Total amount of CPM given on behalf of third parties which are not covered in C | - | - |
| | 941,133,942 | 523,330,827 |

12. PROVISIONS FOR EMPLOYEE BENEFITS

| | 31 December 2017 | 31 December 2016 |
|-----------------------------------------------|-------------------|-------------------|
| Short term provisions | | |
| Provision for personnel bonus | 10,274,010 | 9,291,578 |
| Provision for unused vacation | 3,287,770 | 2,807,074 |
| | 13,561,780 | 12,098,652 |
| Long term provisions | | |
| Provision for employment termination benefits | 3,533,164 | 2,587,527 |
| | 3,533,164 | 2,587,527 |

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12. PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

Provision for termination indemnity is set aside under the following explanations:

According to the Turkish Labor Law, the Company is obliged to pay an employee who has completed one year of employment and who is severely or severely related to the Company, who has completed 25 years of service (20 years for women) and has retired (58 for women and 60 for men) the employee is obliged to pay severance pay for the employee. After the legislative amendment on 23 May 2002, some transition process items related to the previous service period before retirement were issued. The amount payable consists of one month's salary for each year of service and is limited to TL 4,426.16 as of 31 December 2017 (31 December 2016: TL 4,092.53).

The liability for termination benefits is not legally subject to any funding and there are no funding requirements.

Provision for employment termination benefits is calculated by estimating the present value of the probable liability that employees will have to pay in case of retirement.

TFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions and legal obligations are used in the calculation of the total liability:

| | 31 December 2017 | 31 December 2016 |
|-------------------------------------------------------------|------------------|------------------|
| Discount rate (%) | 4.00 | 3.64 |
| Turnover rate to estimate the probability of retirement (%) | 94.02 | 86.43 |

Additionally, the principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As the liability is revised two times in a year, the amount of TL 5,001.76 at 1 January 2018 will be taken into consideration in calculating the reserve for employment termination benefit (1 January 2017: TL 4,426.16).

Movements in the provision for employee benefits during the year are as follows:

| | 2017 | 2016 |
|-------------------------------------------|------------------|------------------|
| Beginning of the period, 1 January | 2,587,527 | 440,801 |
| Interest cost | 414,970 | 26,448 |
| Service cost | 473,202 | 325,290 |
| Payments during the period | (284,354) | (209,344) |
| Actuarial loss / (gain) | 341,819 | 2,004,332 |
| End of the period, 31 December | 3,533,164 | 2,587,527 |

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12. PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

Movements of the provision for unused vacation during the period are as follows:

| | 2017 | 2016 |
|-------------------------------------------|------------------|------------------|
| Beginning of the period, 1 January | 2,807,074 | 2,393,847 |
| Payments during the period | (170,858) | (129,643) |
| Increase in the period | 651,554 | 542,870 |
| End of the period, 31 December | 3,287,770 | 2,807,074 |

Movement of personnel bonus during the period is as follows:

| | 2017 | 2016 |
|-------------------------------------------|-------------------|------------------|
| Beginning of the period, 1 January | 9,291,578 | 6,740,000 |
| Payments during the period | (9,291,578) | (6,740,000) |
| Increase during the period | 10,274,010 | 9,291,578 |
| End of the period, 31 December | 10,274,010 | 9,291,578 |

13. OTHER ASSETS AND LIABILITIES

Prepaid expenses

| | 31 December 2017 | 31 December 2016 |
|---------------------------------|------------------|------------------|
| Short term prepaid expenses (*) | 625,421 | 599,740 |
| | 625,421 | 599,740 |

(*) Short term prepaid expenses includes data-broadcasting expenses, rent expenses and other expenses as of 31 December 2017 and 2016.

Liabilities under employee benefits

| | 31 December 2017 | 31 December 2016 |
|-------------------------------------------|------------------|------------------|
| SSI disbursements and other taxes payable | 2,840,345 | 2,450,845 |
| | 2,840,345 | 2,450,845 |

Other short term liabilities

| | | |
|-------------------------------------------------------------------------------------------------------|------------------|------------------|
| Taxes, fees and other disruptions payable | 2,911,486 | 1,495,540 |
| Suspense account for unrealized profit/loss provision related to customers' leveraged transactions | 2,016,717 | - |
| Expense accruals | 465,265 | 191,518 |
| | 5,393,468 | 1,687,058 |

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14. SHAREHOLDERS' EQUITY

The share capital of the Company is TL 30,000,000 (31 December 2016: TL 30,000,000) and consists of 30,000,000 (31 December 2016: 30,000,000) authorized shares with a nominal value of TL 1 each. As of 31 December 2017 and 2016, the Company doesn't have any preferred stocks.

As of 31 December 2017 and 2016 the issued and fully paid-in share capital held is as follows:

| | Share (%) | 31 December 2017 | Share (%) | 31 December 2016 |
|------------------------------------------------|--------------|---------------------|--------------|---------------------|
| Akbank T.A.Ş. | 100 | 30,000,000 | 100 | 30,000,000 |
| Paid-in share capital (Historical cost) | 100 | 30,000,000 | 100 | 30,000,000 |
| Adjustment to share capital | | 16,802,123 | | 16,802,123 |
| Total paid-in share capital | | 46,802,123 | | 46,802,123 |

The Company has decided to increase the capital of TL 30,000,000 with a cash injection commitment by TL 50,000,000 to TL 80,000,000 with the resolution of Board of Directors dated 25 December 2017 and no 2017/30 and to amend Article 6 of the articles of association the Capital Markets Board and has been decided to apply to the Ministry of Customs and Trade. In the CMB bulletin dated 25 January 2018 and numbered 2018/4, it has been decided that the application made to CMB to increase the capital of the Company from TL 30,000,000 to TL 80,000,000 has been approved.

Capital adjustment differences

Adjustment to share capital represents the difference between total restatement effect of cash and cash equivalent contributions to share capital due to the inflation adjustments and total amount before the inflation adjustment. There is no use of the adjustment to share capital other than to be added to the capital.

Reserves, retained earnings

According to Turkish Commercial Code, legal reserves consist of primary and secondary reserves. Primary reserves are reserved at 5% rate of legal profit in the period until they reach a level of 20% of the group capital. Secondary reserves are reserved at a rate of 10% of all dividend distribution exceeding 5% of group capital. Primary and secondary reserves cannot be distributed until they exceed 50% of the total capital, however, they can be used to cover losses when voluntary reserves are exhausted.

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14. SHAREHOLDERS' EQUITY (Continued)

Reserves, retained earnings (Continued)

| | 31 December 2017 | 31 December 2016 |
|------------------------------------------------------|--------------------|--------------------|
| Reserves on retained earnings (Legal Reserves) | 19,461,972 | 17,611,972 |
| Reserves on retained earnings (Special Reserves) (*) | 41,618,582 | 41,618,582 |
| Retained earnings (Extraordinary Reserves) | 58,147,574 | 48,954,400 |
| Retained earnings | 12,561,774 | 11,972,049 |
| | 131,789,902 | 120,157,003 |

(*) In accordance with Article 5, Clause 1, Subparagraph e of the Corporate Tax Law, the Company did not distribute TL 41,618,582 which makes up 75% of the profit amounting to TL 55,491,444 acquired from the sale of the Gümüşsuyu service building on July 26, 2012, and transferred this amount to its special fund account.

Profit distribution

Publicly traded companies shall perform dividend distribution in accordance with the Communiqué on Dividends II-19.1 of the Capital Market Board effective as of February 1, 2014.

Companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the provisions of the related regulation. Companies are required to include in minimum the following matters in their profit distribution policies:

- Whether dividend distribution will be made; and the distribution rate for shareholders and those participating in the distribution in the event of distribution.
- Mode of payment of the dividend.
- Time of dividend payment, on condition that dividend payment procedures start at the latest as of the end of the period in which the general assembly meeting was held.
- Whether dividend advances will be distributed and the related principles in the event of distribution.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the main agreement or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The part of the accumulated loss of the companies that exceeds the total of retained earnings, general legal reserves including premiums related to shares, the amounts arising from the adjustment of equity items except capital stock in accordance with inflation accounting are taken into account as discount items.

With the resolution of the General Assembly dated 23 March 2017 of the Company, it has been promulgated to distribute TL 20,000,000 portion of the remaining amount of the net distributable profit for the year 2016 as the cash dividend after the first and second legal reserves have been allocated, paid on 27 March 2017.

Other comprehensive expenses

As of 31 December 2017, according to TAS 19, the cumulative actuarial loss arising from the employee termination benefits of the Company amounted to TL 1,876,921 (31 December 2016: TL 1,603,466). This amount is classified under the equity of the Company within the account of "Remeasurement gains / (losses) from defined benefit plans".

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| 15. SALES AND COST OF SALES | 1 January - 31 December 2017 | 1 January - 31 December 2016 |
|------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Income from proprietary trading | 5,760,132,429 | 6,780,192,958 |
| Service income, net | 136,946,795 | 95,710,372 |
| Revenues | 5,897,079,224 | 6,875,903,330 |
| Sales income | | |
| Treasury bills | 289,036,930 | 147,336,118 |
| Stocks | 727,220,313 | 516,585,806 |
| Corporate bonds | 4,736,357,566 | 6,111,483,279 |
| Repo | 7,517,620 | 4,787,755 |
| | 5,760,132,429 | 6,780,192,958 |
| Cost of sales (-) | | |
| Treasury bills | (288,305,744) | (147,178,080) |
| Stocks | (721,991,170) | (514,883,310) |
| Corporate bonds | (4,736,663,132) | (6,111,256,235) |
| Repo | (7,500,000) | (4,786,000) |
| | (5,754,460,046) | (6,778,103,625) |
| Net income from proprietary trading (A) | 5,672,383 | 2,089,333 |
| Service income | | |
| Stock purchase-sale underwriting commission | 74,913,738 | 44,172,510 |
| Leveraged trading income | 29,813,087 | 22,607,814 |
| Public offer sales commission | 24,652,237 | 20,121,355 |
| VIOP transactions trading commissions | 14,759,249 | 10,182,157 |
| Money Market brokerage commissions on behalf of the client | 3,941,321 | 2,060,091 |
| Repo / reverse repo brokerage commissions | 1,904,562 | 2,187,461 |
| Corporate finance consultancy commission | 1,716,909 | 610,110 |
| Settlement and custody commissions | 1,682,228 | 1,442,182 |
| Investment consultancy income | 1,400,000 | - |
| Government debt securities purchase-sale underwriting commission | 884,761 | 790,960 |
| Preemptive right and dividend collection commissions | 217,138 | 339,241 |
| Commissions on capital increase brokerage | 188,154 | 325,822 |
| Mutual funds sale commissions | 58,379 | 48,119 |
| Other commissions | 5,284,003 | 4,532,041 |
| Total (B) | 161,415,766 | 109,419,863 |
| Discounts on service sales (-) | | |
| Commissions paid to the agencies | (17,233,150) | (10,907,360) |
| Leveraged trading commissions | (6,747,439) | (2,184,800) |
| Other paid commissions | (488,382) | (617,331) |
| Total (C) | (24,468,971) | (13,709,491) |
| Gross profit / loss from business activities (A+B+C) | 142,619,178 | 97,799,705 |
| Financial income from operating activities, net | | |
| Income from derivative transactions | 25,397,334 | 3,444,375 |
| Trading profit/(loss) from VIOP transactions, net | (5,098,254) | (1,091,622) |
| Gross profit from financial sector operations (D) | 20,299,080 | 2,352,753 |
| Gross profit (A+B+C+D) | 162,918,258 | 100,152,458 |

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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

16. OPERATING EXPENSES**Marketing, sales and distribution expenses**

| | 1 January - 31 December 2017 | 1 January - 31 December 2016 |
|------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Settlement and custody expenses | 5,417,882 | 4,579,359 |
| Borsa Istanbul Equity Market shares | 5,212,171 | 2,681,530 |
| Borsa Istanbul Futures and Options Market shares | 4,233,850 | 2,980,698 |
| Fixed yield securities transaction shares | 2,985,434 | 3,131,433 |
| Money market exchange transaction fees | 2,817,376 | 1,867,197 |
| Share certificates lending market commission expense | 851,724 | 719,509 |
| Representative expenses | 294,535 | 262,725 |
| Other | 1,689,007 | 1,707,161 |
| | 23,501,979 | 17,929,612 |

General administrative expenses

| | | |
|---------------------------------------------------------|-------------------|-------------------|
| Personnel expenses | 52,774,455 | 47,639,965 |
| Communication expenses | 9,294,309 | 8,351,117 |
| Rent expenses | 4,262,456 | 4,196,084 |
| Various taxes and other legal dues | 3,972,847 | 4,297,592 |
| Information technology expenses | 3,808,370 | 3,748,028 |
| Depreciation and amortization (Notes 9,10) | 1,955,656 | 1,900,707 |
| Provision for employment termination benefits (Note 12) | 888,172 | 351,738 |
| Transportation expenses | 750,295 | 618,155 |
| Research and consultancy fees | 642,276 | 471,287 |
| Transportation expenses | 630,837 | 579,872 |
| Unused vacation provisions (Note 12) | 480,696 | 413,227 |
| Maintenance and repair expenses | 368,445 | 382,650 |
| Legal expenses | 359,803 | 326,881 |
| CMB protection fund of investors | 312,815 | 214,187 |
| Stationary expenses | 278,542 | 252,039 |
| Membership expenses | 205,450 | 225,681 |
| Training expenses | 150,096 | 96,962 |
| Electricity, water and heating expenses | 46,430 | 29,880 |
| Outsource benefits expenses | 45,036 | 214,982 |
| Insurance expenses | 30,586 | 24,130 |
| Other expenses | 5,347,527 | 1,595,420 |
| | 86,605,099 | 75,930,584 |

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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

17. OTHER OPERATING INCOME

| | 1 January - 31 December 2017 | 1 January - 31 December 2016 |
|----------------------------------------------|-----------------------------------------|-----------------------------------------|
| Account maintenance fee | 1,652,200 | 1,210,164 |
| Foreign exchange gains | 1,382,059 | 2,660,330 |
| Customer statement shipping fee | 503,469 | 239,275 |
| Issuer representation annual maintenance fee | 455,637 | 438,621 |
| Other operating income | 409,503 | 489,334 |
| | 4,402,868 | 5,037,724 |

18. FINANCIAL INCOME

| | 1 January - 31 December 2017 | 1 January - 31 December 2016 |
|--------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Interest income from time deposits | 58,793,772 | 65,175,533 |
| Interest received from margin trading | 42,445,529 | 21,221,708 |
| Corporate bond yield income | 6,848,836 | 11,171,367 |
| Interest income from lending transactions collateral | 5,804,549 | 4,855,359 |
| Interest income from VIOP Guarantee Fund given | 1,173,470 | 250,928 |
| Valuation difference of derivative market transactions | 1,083,335 | 302,719 |
| Portfolio dividend income | 836,080 | 1,943,019 |
| Other | 2,213,205 | 1,028,994 |
| | 119,198,776 | 105,949,627 |

19. FINANCIAL EXPENSES

| | 1 January - 31 December 2017 | 1 January - 31 December 2016 |
|---------------------------------------|-----------------------------------------|-----------------------------------------|
| Interest expense on issued securities | 60,192,792 | 56,317,837 |
| Money Market interest expense, net | 39,954,578 | 13,418,158 |
| Guarantee letter commission expenses | 2,815,202 | 1,054,162 |
| Repo interest expenses, net | 1,811,787 | 6,790,741 |
| Other | 1,233,876 | 589,886 |
| | 106,008,235 | 78,170,784 |

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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

20. TAX ASSETS AND LIABILITIES

Corporate tax

| | 31 December 2017 | 31 December 2016 |
|-----------------------------------------------------|-------------------------|-------------------------|
| Tax liability | | |
| Corporate tax payable | 14,853,185 | 8,036,627 |
| Prepaid taxes (-) | (11,512,432) | (10,597,952) |
| Current period tax liability/(Prepaid taxes) | 3,340,753 | (2,561,325) |
| | 1 January - | 1 January - |
| | 31 December 2017 | 31 December 2016 |
| Tax expense | | |
| Current tax expense | 14,853,185 | 8,036,627 |
| Deferred tax income | (260,681) | (560,697) |
| Total income tax expense | 14,592,504 | 7,475,930 |

The Law on Institutions Tax has been amended by Law No. 5520 dated 13 June 2006. Many of the provisions of the new Tax Act No. 5520 have entered into force on 1 January 2006. Accordingly, in Turkey, the corporation tax rate is 20% for 2017 (2016: 20%). Institutions tax rate is applied to the tax base of the commercial income of the corporation, which is the deduction of deductible expenses in accordance with the tax laws, the exemption in tax laws (such as exception of participation gains) and deduction of deductions. No further tax is payable unless the profit is distributed (except for the withholding tax at the rate of 19.8% calculated and paid on the exemption amount utilized in the case of investment reduction exception utilized within the scope of Temporary Article 61 of the Income Tax Law).

The Law on the Amendment of Certain Tax Acts was approved by the Parliament on 28 November 2017 and published in the Official Gazette dated 5 December 2017, putting the rate of corporate taxation to be increased from 20% to 22% for the years 2018, 2019 and 2020. In this context, the effect of the tax rate change was taken into consideration in the calculation of deferred tax asset / liability as of 31 December 2017.

Earning revenues through a permanent establishment or permanent representative in Turkey-tax payers from the dividends paid to companies resident in Turkey (dividends) not subject to withholding. Dividend payments made to persons and institutions other than these are subject to 15% stopage. The addition of snow to the capital is not a profit distribution.

Corporations are required to declare a temporary tax of 20% on their quarterly financial income until the 14th day of the second month following that period and pay the 17th day until the evening. The temporary tax paid during the year belongs to that year and is deducted from the corporation tax that will be calculated on the tax declaration of the institutions to be given in the following year. In the case of a temporary advance tax paid despite the trash, this amount can be refunded or deducted from other tax liabilities to the government.

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20. TAX ASSETS AND LIABILITIES (Continued)

The Law on the Amendment of the Tax Procedural Law, the Income Tax Law and the Corporate Tax Law No. 5024 ("Law No. 5024") published in the Official Gazette on 30 December 2003 sets out the financial statements of the taxpayer taxpayers who determine their profits on the basis of the balance sheet Effective from 1 January 2004 to the restatement of inflation. According to the law, the cumulative inflation rate (TURKSTAT UFE increase rate) and the last 12 month inflation rate (TURKSTAT UFE increase rate) must exceed 10% in order to be able to make inflation adjustments. Inflation adjustment has not been made since the conditions have not been met since 2005.

As of 1 January 2006, new Law No. 5520 on Corporate Tax Law amended the old Corporate Tax Law application numbered 5422 on "Tax exemption of Immovable and Subsidiary Sales Revenues". With the amendment, only 75% of the gains from the sale of immovable assets (real estates), participation shares, founding shares, usufruct shares and preferential rights in the assets of the institutions for at least two full years are taxable exceptions. However, from the period when the exceptional amount is exempted, it has to be kept under a special fund account under the uninterrupted 5 year liability accounts. The rest is subject to corporate tax.

Authorities of the tax examination may examine their accounting records over a period of five years, and if incorrect transaction is detected, the amount of tax may change due to tax assessment to be made.

According to Turkish tax legislation, financial losses shown on the tax return can be deducted from the period corporate income for not more than 5 years. However financial losses can not be offsetted from last year's profits.

There are many exceptions to the Institutions Tax Act. Therefore, the exceptional gains included in the trade profit / loss figure are taken into account in the calculation of corporate tax.

In determining the corporation tax base, in addition to the exceptions mentioned above, the deductions specified in Article 8, 9 and 10 of the Corporate Tax Law and Article 40 of the Income Tax Law shall be taken into consideration.

The reconciliation between tax deduction and accounting profit is as follows:

| | 31 December 2017 | 31 December 2016 |
|----------------------------------------------------------|-------------------|------------------|
| Profit before tax | 70,404,589 | 39,108,829 |
| Theoretical income tax at the applicable tax rate of 20% | 14,080,918 | 7,821,766 |
| Expenses non-deductible for tax purposes | 678,802 | 42,768 |
| Tax deductions effect (-) | (167,216) | (388,604) |
| Current year tax expense | 14,592,504 | 7,475,930 |

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20. TAX ASSETS AND LIABILITIES (Continued)***Deferred tax***

Deferred tax liabilities and assets arising from temporary differences are as follows:

Deferred tax assets

| | 31 December 2017 | | 31 December 2016 | |
|-----------------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------|-------------------------------------------------|---------------------------------------------------|
| | Cumulative temporary differences | Deferred tax assets/ (liabilities) | Cumulative temporary differences | Deferred tax assets/ (liabilities) |
| Bonus provision | 10,274,010 | 2,260,282 | 9,291,578 | 1,858,316 |
| Employment termination benefits provision | 3,533,164 | 706,633 | 2,587,527 | 517,505 |
| Unused vacation provision | 3,287,770 | 657,554 | 2,807,074 | 561,415 |
| Lawsuit provision | 708,079 | 155,777 | 494,529 | 98,906 |
| Deferred tax assets | | 3,780,246 | | 3,036,142 |
| Difference between carrying value and tax base of property and equipment | 3,293,197 | (658,639) | 2,723,937 | (544,787) |
| Other | 1,681,681 | (369,970) | 343,810 | (68,763) |
| Deferred tax liabilities | | (1,028,609) | | (613,550) |
| Deferred tax assets, net | | 2,751,637 | | 2,422,592 |

The movement schedule of deferred tax assets is as follows:

| | 1 January - 31 December 2017 | 1 January - 31 December 2016 |
|---------------------------------------|-----------------------------------------|-----------------------------------------|
| Beginning deferred tax assets, net | 2,422,592 | 1,461,029 |
| Current period deferred tax income | 260,681 | 560,697 |
| Deferred tax carried under equity | 68,364 | 400,866 |
| Period end deferred tax assets | 2,751,637 | 2,422,592 |

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21. DERIVATIVES

The details of derivative assets and liabilities of the Company as of 31 December 2017 and 2016 are as follows:

| 31 December 2017 | Agreement amount | Assets | Liabilities |
|------------------|-------------------|------------------|----------------|
| Options (TL) | 24,833,000 | 1,272,016 | 188,681 |
| | 24,833,000 | 1,272,016 | 188,681 |
| 31 December 2016 | Agreement amount | Assets | Liabilities |
| Options (TL) | 9,233,525 | 360,879 | 58,160 |
| | 9,233,525 | 360,879 | 58,160 |

22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

(a) Balances with related parties

Cash and cash equivalents (Note 3)

| | 31 December 2017 | 31 December 2016 |
|-------------------------------------------------|--------------------|--------------------|
| Time deposit (Akbank T.A.Ş.) | 259,804,398 | 451,142,898 |
| Demand deposit (Akbank T.A.Ş.) | 6,505,077 | 7,167,323 |
| Foreign currency demand deposit (Akbank T.A.Ş.) | 16,873,211 | 11,500,086 |
| | 283,182,686 | 469,810,307 |

Financial investments (Note 4)

Financial assets held for trading

| | | |
|---------------------------------|------------------|----------|
| Corporate bonds - Akbank T.A.Ş. | 4,718,042 | - |
| | 4,718,042 | - |

Available-for-sale financial assets

| | | |
|------------------------------------------------|--------------|----------|
| Share certificates - Ak Finansal Kiralama A.Ş. | 5,254 | - |
| | 5,254 | - |

Received letters of guarantee

| | | |
|--------------------------------------|-------------------|-------------------|
| Akbank T.A.Ş. | 161,517 | 161,517 |
| Akbank T.A.Ş. (TL equivalent of USD) | 37,737,860 | 35,335,659 |
| | 37,899,377 | 35,497,176 |

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

| | 31 December 2017 | 31 December 2016 |
|------------------------------------------------------------|--------------------|-------------------|
| Receivables from related parties (Note 7) | | |
| Avivasa Emeklilik ve Hayat A.Ş. - Retirement Funds | 156,237,360 | 12,963,459 |
| Ak Portföy Yönetimi A.Ş. - Mutual Funds | 10,086,096 | 271,123 |
| | 166,323,456 | 13,234,582 |
| Other receivables from related parties | | |
| Akbank T.A.Ş. | 95,933 | 78,601 |
| | 95,933 | 78,601 |
| Prepaid expenses to related parties | | |
| Akbank T.A.Ş. | 131,271 | 104,620 |
| Aksigorta A.Ş. | 8,902 | 8,103 |
| Bimsa A.Ş. | - | 8,841 |
| | 140,173 | 121,564 |
| Short term borrowings from related parties (Note 5) | | |
| Akbank T.A.Ş. | 36,802 | 29,047 |
| | 36,802 | 29,047 |
| Trade payables to related parties | | |
| Avivasa Emeklilik ve Hayat A.Ş. - Retirement Funds | 10,036,366 | 14,950,132 |
| Ak Portföy Yönetimi A.Ş. - Mutual Funds | 387,523 | 211,542 |
| Other | 66,436 | 20,974 |
| | 10,490,325 | 15,182,648 |

(b) Transactions with related parties :**Commission and service income from related parties**

| | 1 January - 31 December 2017 | 1 January - 31 December 2016 |
|---------------------------------------------|---------------------------------|---------------------------------|
| Akbank T.A.Ş | 7,064,835 | 4,317,257 |
| Ak Finansal Kiralama A.Ş. | 3,231,253 | 2,742,955 |
| Hacı Ömer Sabancı Holding A.Ş. | 490,173 | 422,842 |
| Aksigorta A.Ş. | 78,653 | 28,296 |
| Çimsa Çimento Sanayi ve Ticaret A.Ş. | 53,261 | 33,434 |
| Brisa Bridges Sab. Lastik San. ve Tic. A.Ş. | 47,138 | 94,339 |
| Other | 172,425 | 475,771 |
| | 11,137,738 | 8,114,894 |

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22. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

| | 1 January - 31 December 2017 | 1 January - 31 December 2016 |
|------------------------------------------------------|---------------------------------|---------------------------------|
| Commission expenses paid to related parties | | |
| - Discounts on service sales | | |
| Akbank T.A.Ş. | 17,233,150 | 10,907,360 |
| | 17,233,150 | 10,907,360 |
| Other income from related parties | | |
| - Other operating income/financial income | | |
| Akbank T.A.Ş. (interest income) | 51,999,814 | 46,613,805 |
| | 51,999,814 | 46,613,805 |
| Operating expenses paid to related parties | | |
| - General administrative expenses | | |
| Hacı Ömer Sabancı Holding A.Ş. (rent expense) | 3,377,666 | 3,187,079 |
| AvivaSa Emeklilik ve Hayat A.Ş. (insurance expenses) | 816,204 | 748,827 |
| Aksigorta A.Ş. (insurance and other expenses) | 793,604 | 726,550 |
| Akbank T.A.Ş. (rent expenses) | 528,584 | 429,555 |
| Akbank T.A.Ş. (guarantee letter commission expense) | 389,587 | 96,065 |
| | 5,905,645 | 5,188,076 |

Salaries and other benefits paid to the Board of Directors and top management:

The total amount of wages, and similar financial benefits provided to the senior executives of the Company in 2017 is TL 4,158,854 (31 December 2016: TL 3,835,091).

Dividends

With the resolution of the General Assembly dated 23 March 2017 of the Company, it has been promulgated to distribute TL 20,000,000 portion of the remaining amount of the net distributable profit for the year 2016 as the cash dividend after the first and second legal reserves have been allocated, paid on 27 March 2017.

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23. FINANCIAL RISK MANAGEMENT

The Company exposed to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates because of its operations. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Information on credit risk

Financial instruments contain an element of risk that the counterparties may be unable to meet the terms of the agreements. This risk is monitored in reference to credit ratings and managed by limiting the aggregate risk to any individual counterparty. Exposure to credit risk is also managed by obtaining collaterals in the form of listed equity securities. As of 31 December 2017 and 2016, the Company has no financial assets which are overdue but not impaired and the condition of which has been re-discussed, and which would otherwise be considered as overdue and impaired.

| | Receivables | | | | | | Derivative instruments |
|----------------------------------------------------------------------------------|------------------------------------|---------------|---------------------|---------------|---------------|-----------------------|------------------------|
| | Trade receivables Related party | Other parties | Other Related party | Other parties | Bank deposits | Financial investments | |
| 31 December 2017 | | | | | | | |
| Maximum credit risk exposures as of the financial statements date (A+B+C) | | | | | | | |
| - Protected part of Maximum credit risk by indemnity, etc. | | | | | | | |
| A. Net carrying value of financial assets which are neither impaired nor overdue | 166,323,456 | 630,574,496 | 95,933 | 84,961,521 | 562,485,989 | 40,055,155 | 1,272,016 |
| | | 585,171,830 | - | 24,577,901 | - | - | - |
| B. Net book value of impaired financial assets | 166,323,456 | 630,574,496 | 95,933 | 84,961,521 | 562,485,989 | 40,055,155 | - |
| - Overdue (gross book value) | - | - | - | - | - | - | - |
| - Impairment | - | 9,500 | - | 289,832 | - | - | - |
| - Collateralized portion of the net exposure | - | (9,500) | - | (289,832) | - | - | - |
| C. Off-balance sheet items contain credit risk | - | - | - | - | - | - | 1,272,016 |
| | | | | | | | |
| 31 December 2016 | | | | | | | |
| Maximum credit risk exposures as of the financial statements date (A+B+C) | | | | | | | |
| - Protected part of Maximum credit risk by indemnity, etc. | | | | | | | |
| A. Net carrying value of financial assets which are neither impaired nor overdue | 13,234,582 | 268,472,141 | 78,601 | 42,449,281 | 469,835,611 | 64,085,349 | 360,879 |
| | | 356,063,524 | - | 26,354,194 | - | - | - |
| B. Net book value of impaired financial assets | 13,234,582 | 268,472,141 | 78,601 | 42,449,281 | 469,835,611 | 64,085,349 | - |
| - Overdue (gross book value) | - | - | - | - | - | - | - |
| - Impairment | - | 9,500 | - | 289,832 | - | - | - |
| - Collateralized portion of the net exposure | - | (9,500) | - | (289,832) | - | - | - |
| C. Off-balance sheet items contain credit risk | - | - | - | - | - | - | 360,879 |

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23. FINANCIAL RISK MANAGEMENT (Continued)

Information on liquidity risk

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. A decrease in funding sources mainly due to market instability or a decrease in credit risk results in liquidity risk. The Company manages the liquidity risk by maintaining sufficient cash and other liquid assets in order to fund the current and prospective debt requirements.

The Company's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual repricing dates are as follows:

| | 31 December 2017 | | | | | |
|----------------------------------|----------------------|---------------------|-----------------------|----------------------|-------------------|----------------------|
| | Up to 1 month | Up to 3 months | 3 months to 1 year | 1 year to 5 years | Demand | Total |
| Cash and cash equivalents | 307,136,583 | 231,443,479 | - | - | 23,905,927 | 562,485,989 |
| Financial investments | 205,423 | 481,280 | 15,772,142 | - | 23,431,345 | 39,890,190 |
| Trade receivables | 784,273,016 | - | - | - | 12,624,936 | 796,897,952 |
| Derivative assets | 1,272,016 | - | - | - | - | 1,272,016 |
| Other short term receivables | 63,898,878 | - | - | - | 1,951,763 | 65,850,641 |
| Other long-term receivables | - | - | - | 19,206,813 | - | 19,206,813 |
| Financial assets | - | - | - | - | 164,965 | 164,965 |
| Deferred tax assets | - | - | - | - | 2,751,637 | 2,751,637 |
| Other assets | - | - | - | - | 10,901,014 | 10,901,014 |
| Total assets | 1,156,785,916 | 231,924,759 | 15,772,142 | 19,206,813 | 75,731,587 | 1,499,421,217 |
| Short term borrowings | 502,995,708 | 233,287,958 | - | - | 36,802 | 736,320,468 |
| Other financial liabilities | 13,400,075 | - | - | - | - | 13,400,075 |
| Derivatives | 188,681 | - | - | - | - | 188,681 |
| Trade payables | 487,607,215 | - | - | - | - | 487,607,215 |
| Other provisions and liabilities | 8,233,813 | 13,614,763 | - | 3,533,164 | 3,995,849 | 29,377,589 |
| Total liabilities | 1,012,425,492 | 246,902,721 | - | 3,533,164 | 4,032,651 | 1,266,894,028 |
| Liquidity | 144,360,424 | (14,977,962) | 15,772,142 | 15,673,649 | 71,698,936 | 232,527,189 |
| | 31 December 2016 | | | | | |
| | Up to 1 month | Up to 3 months | 3 months to 1 year | 1 year to 5 years | Demand | Total |
| Cash and cash equivalents | 451,066,820 | - | - | - | 18,768,791 | 469,835,611 |
| Financial investments | 287,027 | 2,958,519 | 36,846,690 | 16,560,533 | 7,267,615 | 63,920,384 |
| Trade receivables | 281,706,723 | - | - | - | - | 281,706,723 |
| Derivative assets | 90,739 | 270,140 | - | - | - | 360,879 |
| Other short term receivables | 27,157,417 | - | - | - | 1,210,985 | 28,368,402 |
| Other long-term receivables | - | - | - | - | 14,159,480 | 14,159,480 |
| Financial assets | - | - | - | - | 164,965 | 164,965 |
| Deferred tax assets | - | - | - | - | 2,422,592 | 2,422,592 |
| Other assets | - | 2,561,325 | - | - | 6,766,138 | 9,327,463 |
| Total assets | 760,308,726 | 5,789,984 | 36,846,690 | 16,560,533 | 50,760,566 | 870,266,499 |
| Short term borrowings | 563,975,779 | - | - | - | 29,047 | 564,004,826 |
| Other financial liabilities | 2,151,909 | - | - | - | - | 2,151,909 |
| Derivatives | 12,843 | 45,317 | - | - | - | 58,160 |
| Trade payables | 87,744,434 | - | - | - | - | 87,744,434 |
| Other provisions and liabilities | 2,450,845 | 10,978,636 | - | 2,587,527 | 3,301,603 | 19,318,611 |
| Total liabilities | 656,335,810 | 11,023,953 | - | 2,587,527 | 3,330,650 | 673,277,940 |
| Liquidity | 103,972,916 | (5,233,969) | 36,846,690 | 13,973,006 | 47,429,916 | 196,988,559 |

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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

23. FINANCIAL RISK MANAGEMENT (Continued)

Information on liquidity risk (Continued)

The following table presents the cash flows payable by the Company under non-derivative financial liabilities remaining contractual maturities as of December 31, 2017 and 2016:

| 31 December 2017 | Book value | Up to 1 month | 1 month to 3 months | 3 months to 1 year | Total of contractual cash-outflows |
|-----------------------------|----------------------|----------------------|---------------------|--------------------|------------------------------------|
| Financial liabilities | 736,320,468 | 504,341,089 | 240,571,370 | - | 744,912,459 |
| Other financial liabilities | 13,400,075 | 13,400,075 | - | - | 13,400,075 |
| Trade payables | 487,607,215 | 487,607,215 | - | - | 487,607,215 |
| Other short term payables | 5,393,468 | 5,393,468 | - | - | 5,393,468 |
| Total liabilities | 1,242,721,226 | 1,010,741,847 | 240,571,370 | - | 1,251,313,217 |

| 31 December 2016 | Book value | Up to 1 month | 1 month to 3 months | 3 months to 1 year | Total of contractual cash-outflows |
|-----------------------------|--------------------|--------------------|---------------------|--------------------|------------------------------------|
| Financial liabilities | 564,004,826 | 292,640,954 | 272,279,303 | - | 564,920,257 |
| Other financial liabilities | 2,151,909 | 2,151,909 | - | - | 2,151,909 |
| Trade payables | 87,744,434 | 87,744,434 | - | - | 87,744,434 |
| Other short term payables | 1,687,058 | 1,687,058 | - | - | 1,687,058 |
| Total liabilities | 655,588,227 | 384,224,355 | 272,279,303 | - | 656,503,658 |

Information on market risk

i) Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Sensitivity of the Company to interest rate risk is related to mismatch regarding maturities of assets and liabilities accounts. These exposures are managed by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

On the balance sheet of the Company, available for sale and variable interest rate held to maturity financial assets are subject to price risk due to changes in interest rates. Also, the Company is subject to reinvestment rate risk when the cash resulting from the redemption of fixed interest held to maturity investment securities are reinvested.

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23. FINANCIAL RISK MANAGEMENT (Continued)

Information on market risk (Continued)

i) Interest rate risk (Continued)

The Company's interest position table and related sensitivity analyzes as of 31 December 2017 and 2016 are presented below:

Interest position table

| | 31 December 2017 | 31 December 2016 |
|-------------------------------------------------------|------------------|------------------|
| Financial instruments with fixed interest rate | | |
| Time deposits | 538,580,062 | 451,066,820 |
| Securities held for trading | 9,525,043 | 9,864,560 |
| Financial liabilities | 700,814,912 | 542,561,471 |
| Floating interest rate financial instruments | | |
| Securities held for trading | 6,933,802 | 46,788,209 |
| Financial liabilities | 35,468,754 | 21,414,308 |

As of 31 December 2017, if there is interest increase or decrease by 1% in TL interest rates, the Company assumes that all other variables are fixed and the fair value of the floating rate instruments and the net profit / loss of the Company as of 31 December 2017 is TL 321,418 (31 December 2016: According to the analyzes made by the Company, if there is interest rate increase or decrease of 1% in TL interest rates, assuming that all other variables are fixed, TL 56,652,769 at the fair value of government bonds with fixed and floating interest rates, net profit / (loss) for the period has decreased by TL 612,007 or increased by TL 452,379 as of 31 December 2016).

Average interest rates applied to financial instruments as of 31 December 2017 and 2016:

| | 31 December 2017 | | 31 December 2016 | |
|---------------------------------------|------------------|---------|------------------|---------|
| | TL(%) | EUR (%) | TL(%) | EUR (%) |
| Assets | | | | |
| Time deposits | 15.18 | - | 11.28 | - |
| Reverse repo transactions | - | - | 16.38 | - |
| Securities held for trading | 12.51 | - | - | - |
| Margin tradings | 14.88 | - | 13.02 | - |
| Liabilities | | | | |
| Payables to Money Markets | 13.90 | - | 9.81 | - |
| Issued securities | 14.40 | - | - | - |
| Funds provided from repo transactions | 11.50 | - | - | - |

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23. FINANCIAL RISK MANAGEMENT (Continued)

Information on market risk (Continued)

ii) Foreign currency risk

Foreign currency assets and liabilities held by the Company as of 31 December 2017 and 2016 are as follows:

| | 31 December 2017 | | | | | Other (TL Equivalent) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------|----------------|---------------|---------------|--------------------------|
| | TL | USD | EUR | YEN | GBP | |
| 1. Trade receivables | - | - | - | - | - | - |
| 2a. Monetary financial assets (cash and bank accounts included) | 17,250,401 | 4,064,869 | 277,995 | 69,076 | 49,545 | 408,817 |
| 2b. Non-monetary financial assets | - | - | - | - | - | - |
| 3. Other | - | - | - | - | - | - |
| 4. Current Assets (1+2+3) | 17,250,401 | 4,064,869 | 277,995 | 69,076 | 49,545 | 408,817 |
| 5. Trade receivables | - | - | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - | - | - |
| 6b. Non-monetary financial assets | - | - | - | - | - | - |
| 7. Other | - | - | - | - | - | - |
| 8. Non-current assets (5+6+7) | - | - | - | - | - | - |
| 9. Total Assets (4+8) | 17,250,401 | 4,064,869 | 277,995 | 69,076 | 49,545 | 408,817 |
| 10. Trade payables | - | - | - | - | - | - |
| 11. Financial liabilities | - | - | - | - | - | - |
| 12a. Other monetary financial liabilities | - | - | - | - | - | - |
| 12b. Other non-monetary financial liabilities | - | - | - | - | - | - |
| 13. Short term liabilities (10+11+12) | - | - | - | - | - | - |
| 14. Trade payables | - | - | - | - | - | - |
| 15. Financial liabilities | - | - | - | - | - | - |
| 16 a. Other monetary financial liabilities | - | - | - | - | - | - |
| 16 b. Other non-monetary financial liabilities | - | - | - | - | - | - |
| 17. Long-term liabilities (14+15+16) | - | - | - | - | - | - |
| 18. Total liabilities (13+17) | - | - | - | - | - | - |
| 19. Off balance sheet derivative financial instruments net denominated in foreign currency net asset /(liability) position (19a-19b) | - | - | - | - | - | - |
| 19a. Off-balance sheet derivative assets denominated in foreign currencies | - | - | - | - | - | - |
| 19b. Off-balance sheet derivative liabilities denominated in foreign currencies | - | - | - | - | - | - |
| 20. Net foreign currency asset / (liability) position (9-18+19) | 17,250,401 | 4,064,869 | 277,995 | 69,076 | 49,545 | 408,817 |
| 21. Monetary items net foreign currency asset / (liability) position (IFRS 7,B23) (=1+2a+5+6a-10-11-12a-14-15-16a) | 17,250,401 | 4,064,869 | 277,995 | 69,076 | 49,545 | 408,817 |
| 22. Fair value of derivative instruments used for currency hedge | - | - | - | - | - | - |
| 23. Total amount of foreign currency assets used for hedge | - | - | - | - | - | - |
| 24. Total amount of foreign currency liabilities used for hedge | - | - | - | - | - | - |

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23. FINANCIAL RISK MANAGEMENT (Continued)

Information on market risk (Continued)

ii) Foreign currency risk (Continued)

| | 31 December 2016 | | | | | Other (TL Equivalent) |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------|----------------|---------------|---------------|--------------------------|
| | TL | USD | EUR | YEN | GBP | |
| 1. Trade receivables | - | - | - | - | - | - |
| 2a. Monetary financial assets (cash and bank accounts included) | 11,500,086 | 2,485,038 | 512,706 | 36,012 | 14,661 | 788,160 |
| 2b. Non-monetary financial assets | - | - | - | - | - | - |
| 3. Other | - | - | - | - | - | - |
| 4. Current Assets (1+2+3) | 11,500,086 | 2,485,038 | 512,706 | 36,012 | 14,661 | 788,160 |
| 5. Trade receivables | - | - | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - | - | - |
| 6b. Non-monetary financial assets | - | - | - | - | - | - |
| 7. Other | - | - | - | - | - | - |
| 8. Non-current assets (5+6+7) | - | - | - | - | - | - |
| 9. Total Assets (4+8) | 11,500,086 | 2,485,038 | 512,706 | 36,012 | 14,661 | 788,160 |
| 10. Trade payables | - | - | - | - | - | - |
| 11. Financial liabilities | - | - | - | - | - | - |
| 12a. Other monetary financial liabilities | - | - | - | - | - | - |
| 12b. Other non-monetary financial liabilities | - | - | - | - | - | - |
| 13. Short term liabilities (10+11+12) | - | - | - | - | - | - |
| 14. Trade payables | - | - | - | - | - | - |
| 15. Financial liabilities | - | - | - | - | - | - |
| 16 a. Other monetary financial liabilities | - | - | - | - | - | - |
| 16 b. Other non-monetary financial liabilities | - | - | - | - | - | - |
| 17. Long-term liabilities (14+15+16) | - | - | - | - | - | - |
| 18. Total liabilities (13+17) | - | - | - | - | - | - |
| 19. Off balance sheet derivative financial instruments denominated in foreign currency net asset/(liability) position (19a-19b) | - | - | - | - | - | - |
| 19a. Off-balance sheet derivative assets denominated in foreign currencies | - | - | - | - | - | - |
| 19b. Off-balance sheet derivative liabilities denominated in foreign currencies | - | - | - | - | - | - |
| 20. Net foreign currency asset / (liability) position (9-18+19) | 11,500,086 | 2,485,038 | 512,706 | 36,012 | 14,661 | 788,160 |
| 21. Monetary items net foreign currency asset / (liability) position (IFRS 7,B23) (=1+2a+5+6a-10-11-12a-14-15-16a) | 11,500,086 | 2,485,038 | 512,706 | 36,012 | 14,661 | 788,160 |
| 22. Fair value of derivative instruments used for currency hedge | - | - | - | - | - | - |
| 23. Total amount of foreign currency assets used for hedge | - | - | - | - | - | - |
| 24. Total amount of foreign currency liabilities used for hedge | - | - | - | - | - | - |

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23. FINANCIAL RISK MANAGEMENT (Continued)

Information on market risk (Continued)

ii) Foreign currency risk (Continued)

The following table shows the sensitivity of the Company to 10% change in USD, EUR and other currencies. These amounts represent the equity effect of 10% increase in value of USD, EUR and other foreign currencies against TL against net period profit and net period profit effect. During this analysis, it is assumed that all variables, especially interest rates, will remain constant.

Foreign exchange sensitivity analysis chart

| 31 December 2017 | Profit / Loss | | Equity | |
|---------------------------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency |
| <i>In case of a 10% change in USD exchange rates:</i> | | | | |
| USD net asset/liability effect | 1,533,228 | (1,533,228) | - | - |
| <i>In case of a 10% change in EURO exchange rates:</i> | | | | |
| EUR net asset/liability effect | 125,529 | (125,529) | - | - |
| <i>In case of a 10% change in other exchange rates:</i> | | | | |
| Net effect of other foreign currency assets | 66,283 | (66,283) | - | - |
| Total | 1,725,040 | (1,725,040) | | |

| 31 December 2016 | Profit and loss | | Equity | |
|---------------------------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Depreciation of foreign currency | Appreciation of foreign currency | Depreciation of foreign currency | Appreciation of foreign currency |
| <i>In case of a 10% change in USD exchange rates:</i> | | | | |
| USD net asset/liability effect | 871,414 | (871,414) | - | - |
| <i>In case of a 10% change in EURO exchange rates:</i> | | | | |
| EUR net asset/liability effect | 191,032 | (191,032) | - | - |
| <i>In case of a 10% change in other exchange rates:</i> | | | | |
| Net effect of other foreign currency assets | 87,563 | (87,563) | - | - |
| Total | 1,150,009 | (1,150,009) | | |

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23. FINANCIAL RISK MANAGEMENT (Continued)

Information on market risk (Continued)

iii) Price risk

Majority of the equity shares classified in the balance sheet of the Company at fair value through profit or loss and available for sale financial assets are traded on BIST. According to the analyses of the Company where, all other variables are kept as constant, the effects of a 10% increase/decrease in the carrying value of common stocks, revaluation fund, net income for the period and equity are as follows:

31 December 2017

| Balance sheet item | Change rate | Change direction | Effect on carrying value | Effect on value increase fund | Effect on net income | Effect on equity |
|--------------------------------------------------|-------------|------------------|--------------------------|-------------------------------|----------------------|------------------|
| Share certificates | | | | | | |
| Financial ready to sell assets | 10% | Increase | - | - | - | - |
| | | Decrease | - | - | - | - |
| Fair value difference reflected in profit / loss | | Increase | 2,343,134 | - | 2,343,134 | - |
| - Financial assets | 10% | Decrease | (2,343,134) | - | (2,343,134) | - |

31 December 2016

| Balance sheet item | Change rate | Change direction | Effect on carrying value | Effect on value increase fund | Effect on net income | Effect on equity |
|--------------------------------------------------|-------------|------------------|--------------------------|-------------------------------|----------------------|------------------|
| Share certificates | | | | | | |
| Financial ready to sell assets | 10% | Increase | - | - | - | - |
| | | Decrease | - | - | - | - |
| Fair value difference reflected in profit / loss | | Increase | 726,761 | - | 726,761 | - |
| - Financial assets | 10% | Decrease | (726,761) | - | (726,761) | - |

Capital management

The Company's objectives when managing capital are to ensure the continuation of the Company's activities to maintain optimal capital structure in order to benefit shareholders and other shareholders.

The Company monitors its capital adequacy in accordance with the Capital Markets Board Communiqué Serial: V, No: 34 on Capital and Capital Adequacy of Intermediary Institutions.

Due to the Company's operations, it is exposed to various financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The company's wholesale risk management program focuses on the unpredictability of financial markets and aims to minimize the potential adverse effects on the Company's financial performance.

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24. FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Market prices are taken into consideration when determining the fair value of the securities.

i. Financial assets:

The fair values of financial assets carried at cost, including cash and cash equivalents and other financial assets, are considered to approximate their respective carrying values due to their short-term nature and their insignificant credit risk.

Market prices are used to determine the fair value of financial assets at fair value through profit or loss and available-for-sale securities.

ii. Financial liabilities:

The fair values of monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

The fair values and carrying values of financial asset and liabilities of the Company are as follows:

| | <u>31 December 2017</u> | | <u>31 December 2016</u> | |
|---------------------------|-------------------------|----------------|-------------------------|----------------|
| | Fair value | Carrying value | Fair value | Carrying value |
| Cash and cash equivalents | 562,485,989 | 562,485,989 | 469,835,611 | 469,835,611 |
| Trade receivables | 796,897,952 | 796,897,952 | 281,707,869 | 281,706,723 |
| Short term borrowings | 736,280,387 | 736,320,468 | 564,920,257 | 564,004,826 |
| Trade payable | 487,607,215 | 487,607,215 | 87,744,434 | 87,744,434 |

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24. FINANCIAL INSTRUMENTS (Continued)

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and financial liabilities carried at fair value:

| 31 December 2017 | Level 1 | Level 2 | Level 3 |
|---------------------------------------------------|----------------|----------------|----------------|
| Financial assets held for trading | | | |
| Common stocks quoted on BIST | 23,431,345 | - | - |
| Government bonds, bills and bonuses | 9,525,043 | - | - |
| Corporate bonds and bills | - | 6,933,802 | - |
| Available-for-sale financial assets | | | |
| Share certificates | - | - | 164,965 |
| Derivative financial assets held for trading | - | 1,272,016 | - |
| Derivative financial liabilities held for trading | - | 188,681 | - |
| 31 December 2016 | Level 1 | Level 2 | Level 3 |
| Financial assets held for trading | | | |
| Common stocks quoted on BIST | 7,267,615 | - | - |
| Government bonds, bills and bonuses | 9,864,560 | - | - |
| Corporate bonds and bills | - | 46,788,209 | - |
| Available-for-sale financial assets | | | |
| Share certificates | - | - | 164,965 |
| Derivative financial assets held for trading | - | 360,879 | - |
| Derivative financial liabilities held for trading | - | 58,160 | - |

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25. SUBSEQUENT EVENTS

The Company has decided to increase the capital of TL 30,000,000 with a cash injection commitment by TL 50,000,000 to TL 80,000,000 with the resolution of Board of Directors dated 25 December 2017 and no 2017/30 and to amend Article 6 of the articles of association the Capital Markets Board and has been decided to apply to the Ministry of Customs and Trade. In the CMB bulletin dated 25 January 2018 and numbered 2018/4, it has been decided that the application made to CMB to increase the capital of the Company from TL 30,000,000 to TL 80,000,000 has been approved.

The structure of partnership before and after the capital increase is as follows:

| Name of Affiliate Name/Title | Before Capital Increase Partnership Structure | | After Capital Increase Partnership Structure | |
|---------------------------------|--------------------------------------------------|--------------------|-------------------------------------------------|--------------------|
| | Share Amount | Share Ratio (%) | Share Amount | Share Ratio (%) |
| Akbank T.A.Ş | 30,000,000 | 100 | 80,000,000 | 100 |
| Total | 30,000,000 | 100 | 80,000,000 | 100 |

26. DISCLOSURE OF OTHER MATTERS

b. Capital management and capital adequacy requirements

The Company aims to increase its profit by using the balance of debt and equities in capital management in the most efficient manner. The resource structure of the Company is mainly composed of equity items.

The Company defines and manages its capital in accordance with CMB's Communiqué Series:V No:34 on capital and capital adequacy of intermediary institutions. According to the related communiqué, the equity of intermediary institutions is composed of the portion of total assets, which are valued according to the valuation principles discussed in Communiqué Series:V No:34 and are present in the balance sheet prepared as of the valuation date. According to the communiqué which is published on 11 July 2013 and named as Communiqué Series: V No: 34, capital adequacy base of intermediary institutions cannot be lower than any of the following; TL 2,000,000 for narrow authority intermediaries, TL 10,000,000 for partial authorized intermediaries and 25,000,000 for broad authority intermediaries. The Company has broad authority intermediation licence dated 15 January 2016 and numbered G-028 (286). In this respect, the required equity for the Company is TL 25,472,637 (31 December 2016: TL 25,000,000).

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