

**HALK YATIRIM MENKUL DEĞERLER
ANONİM ŞİRKETİ**

FINANCIAL STATEMENTS AS OF
31 DECEMBER 2022 AND
INDEPENDENT AUDITOR'S REPORT

**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)**

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Halk Yatırım Menkul Değerler A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Halk Yatırım Menkul Değerler A.Ş. (“the Company”) which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRSs”).

2) Basis for Opinion

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



3) Emphasis of Matter

As further disclosed in Note 26, we emphasize the following matters from which the Parent Bank may be affected:

On 15 October 2019, the New York Southern District Attorney General of the United States (“US”) Department of Justice prepared an indictment and filed a lawsuit against the Parent Bank in the New York Southern District Court (“District Court”) for alleged violations of Iranian sanctions. The criminal case in District Court is pending due to appeal filed by the Parent Bank under the “Foreign State Immunity Act (FSIA)”. The appeal process of the Parent Bank before the US Supreme Court continues.

In addition, a civil lawsuit was filed against the Parent Bank on 27 March 2020, before the US Southern District Court of New York, on the grounds that “they could not collect their receivables from Iran due to sanction violations”. The District Court dismissed the case. The complainants appealed the court decision before the Second Appeal. The appeal process continues.

At this stage, the Parent Bank's Management state that there is no penalty, compensation, sanction or other measure arising from the ongoing criminal and civil lawsuits against the Parent Bank. There is an uncertainty with respect to any decisions by the US authorities that may adversely affect the financial position of the Parent Bank. Our opinion is not modified in respect of these matters.

4) 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. These matters were addressed in the context of our 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 the matter was addressed in the audit
<p>Revenue recognition</p> <p>The Company has revenue amounting to total TL 6,629,766,373 recognized under “revenue” in its statement of profit or loss and other comprehensive income for the period 1 January – 31 December 2022. The related income is disclosed in Note 2 and 18.</p> <p>Due to the excessive amount of the line item of revenue under the statement of profit or loss and other comprehensive income, and since the revenue amount arises from different transactions such as sales commissions, commission income from public offerings, loan interest income, marketable securities sales and consultancy income, the matter is considered as a key audit matter.</p>	<p>Within the scope of the audit procedures applied by us related to the revenue recognition as a part of our audit procedures, the revenue process of the Company is understood, and the design and application of internal controls applied by the management for recognition of revenue according to the relevant accounting accounting policies were tested. The total calculated trading volume of commissionary income was confirmed by independent sources. A detail test was applied on brokerage commissions. In addition, through the sample selected from the transactions realized in the accounting period, these transaction details were tested in comparison with the relevant supporting documents in order to confirm that the income amount is recognized properly. In addition, the sufficiency of the explanations in the disclosures are evaluated by us.</p>

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 these financial statements in accordance with TFRSs, 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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.

6) Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January - 31 December 2022 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

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

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

Additional paragraph for convenience translation to English

In the accompanying consolidated financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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



Mehmet Erol
Partner

İstanbul, 17 February 2023

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HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Statement of Financial Position as at 31 December 2022

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

		Audited	Audited
	Notes	31 December 2022	31 December 2021
ASSETS			
Current assets			
Cash and cash equivalents	3	2.223.411.130	318.368.157
Financial investments	4	270.244.170	30.450.138
Trade receivables	5-6	1.067.607.393	373.817.904
- Trade receivables from related parties	5	138.414	388.490
- Trade receivables from third parties	6	1.067.468.979	373.429.414
Other receivables	9	134.458.324	35.974.233
Prepaid expenses	10	13.160.850	6.664.697
TOTAL CURRENT ASSETS		3.708.881.867	765.275.129
Non-current assets			
Financial investments	4	5.447.818	2.426.584
Property, plant and equipment	11	14.225.622	12.010.945
Intangible assets	12	4.909.300	1.136.349
Other non-current assets	8	-	4.566.493
Right-of-use assets	13	5.971.132	7.187.819
Deferred tax asset	16	7.532.660	5.709.491
TOTAL NON-CURRENT ASSETS		38.086.532	33.037.681
TOTAL ASSETS		3.746.968.399	798.312.810
LIABILITIES			
Current liabilities			
Short-Term Borrowings	7	2.240.691.908	-
- Short-term borrowings from third parties	7	2.240.691.908	-
Trade payables	5-6	660.770.901	307.236.461
- Trade payables to related parties	5	2.345.903	2.471
- Trade payables to third parties	6	658.424.998	307.233.990
Other payables	9	25.772.757	18.704.588
Current tax liability	16	62.467.943	22.423.991
Short-term provisions		21.452.462	8.489.039
- Short-term provisions for employee benefits	15	18.215.398	6.384.647
- Other short-term provisions	14	3.237.064	2.104.392
Lease liabilities	13	5.604.123	4.938.062
TOTAL CURRENT LIABILITIES		3.016.760.094	361.792.141
Non-current liabilities			
Long-term provisions		9.731.984	4.776.557
- Long-term provisions for employee benefits	15	9.731.984	4.776.557
Lease liabilities	13	1.208.797	3.026.290
TOTAL NON-CURRENT LIABILITIES		10.940.781	7.802.847
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	150.000.000	150.000.000
Restricted reserves appropriated from profit		97.792.814	73.246.202
Accumulated other comprehensive income (expenses) that will not be reclassified to profit or loss		4.338.290	1.509.509
-Gains (losses) on revaluation and remeasurement	4	5.144.143	2.315.362
-Other gains (losses)		(805.853)	(805.853)
Prior years' profit or losses		44.415.499	2.305.761
Net profit or loss for the period		422.720.921	201.656.350
TOTAL EQUITY		719.267.524	428.717.822
TOTAL LIABILITIES AND EQUITY		3.746.968.399	798.312.810

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 December 2022

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

	Notes	Audited 1 January - 31 December 2022	Audited 1 January - 31 December 2021
PROFIT OR LOSS			
Revenue	18	6.629.766.373	4.444.278.620
Cost of sales	18	(5.925.848.832)	(4.112.333.435)
		703.917.541	331.945.185
GROSS PROFIT (LOSS) FROM BUSINESS OPERATIONS			
Expenses from Financial Activities	18	(11.315.150)	(3.786.344)
		692.602.391	328.158.841
GROSS PROFIT (LOSS)			
General administrative expenses	19	(140.715.780)	(77.300.100)
Marketing expenses	19	(85.004.814)	(58.340.022)
Other income from operating activities	21	4.799.312	5.071.735
Other expenses from operating activities	21	(3.065.436)	(13.889.655)
		468.615.673	183.700.799
OPERATING PROFIT (LOSS)			
Finance income	22	282.056.652	187.187.693
Finance expenses	22	(183.186.430)	(102.359.022)
		567.485.895	268.529.470
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS			
Tax (Expense) Income from Continuing Operations			
- Current tax (expense) income	16	(146.588.144)	(71.114.818)
- Deferred tax (expense) income	16	1.823.170	4.241.698
		422.720.921	201.656.350
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS			
		422.720.921	201.656.350
PROFIT (LOSS) FOR THE PERIOD			
		3.021.234	(3.182.496)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Other comprehensive income items that will not be reclassified as other profit or loss	4	3.021.234	(3.182.496)
		425.742.155	198.473.854
TOTAL COMPREHENSIVE INCOME (EXPENSE)			

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Statement of Changes in Equity for the Year Ended 31 December 2022

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

Notes	Paid-in capital	Accumulated other comprehensive income that will not be reclassified subsequently to profit or	Gains on revaluation and reclassification(*)	Restricted reserves appropriated from profit	Retained earnings		Equity
					Prior years' profits / (losses)	Net profit/(loss) for the period	
Balances as of 1 January 2021	104.000.000	4.692.005	33.087.795	35.368.414	187.095.754	364.243.968	
Transfers	-	-	40.158.407	146.937.347	(187.095.754)	-	
Profit (loss) for the period	-	-	-	-	201.656.350	201.656.350	
Other comprehensive income(expense)	-	(278.151)	-	-	-	(278.151)	
<i>Revaluation and reclassification gains</i>	-	(278.151)	-	-	-	(278.151)	
Increase / (decrease) due to other changes	-	(2.904.345)	-	-	-	(2.904.345)	
Total comprehensive income (expense)	-	(278.151)	-	-	201.656.350	201.378.199	
Dividend payment	17	-	-	-	(134.000.000)	-	
Capital increase	17	46.000.000	-	-	(46.000.000)	-	
Balances as of 31 December 2021	150.000.000	1.509.509	73.246.202	2.305.761	201.656.350	428.717.822	
Balances as of 1 January 2022	150.000.000	1.509.509	73.246.202	2.305.761	201.656.350	428.717.822	
Transfers	-	-	24.546.612	177.109.738	(201.656.350)	-	
Profit (loss) for the period	-	-	-	-	422.720.921	422.720.921	
Other comprehensive income (expense)	-	3.021.234	-	-	-	3.021.234	
<i>Revaluation and reclassification gains</i>	-	3.021.234	-	-	-	3.021.234	
Increase / (decrease) due to other changes	-	(192.453)	-	-	-	(192.453)	
Total comprehensive income (expense)	-	3.021.234	-	-	422.720.921	425.742.155	
Dividend payment	17	-	-	-	(135.000.000)	-	
Balances as of 31 December 2022	150.000.000	4.338.290	97.792.814	44.415.499	422.720.921	719.267.524	

(*) The shares of Halk Faktoring A.Ş. and Halk Financial Leasing A.Ş., which are among the share investments of the Company, have been transferred to the main shareholder of the Company, Türkiye Halk Bankası AŞ, on 6 September 2021.

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Statement of Cash Flows

for the Year Ended 31 December 2022

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

		Audited	Audited
	Notes	1 January- 31 December 2022	1 January- 31 December 2021
A. Cash flows from operating activities		(100.604.646)	277.914.840
Profit (Loss) for the Period		422.720.921	201.656.350
<u>Adjustments to reconcile net profit (loss) for the period:</u>			
Adjustments related to depreciation and amortization expenses	11-12-13	10.881.615	7.277.414
Adjustments related to provisions		23.684.501	21.973.563
-Adjustments related to provision for doubtful receivable expense	6	99.362	13.059.334
-Adjustments related to provision for retirement pay expense	15	5.953.277	2.338.566
-Adjustments related to provision for unused vacation expense	15	3.349.315	1.114.371
-Adjustments related to provision for personnel dividend premium	15	13.149.875	3.925.007
-Adjustments related to provision for payables expense	14	1.132.672	1.536.285
Adjustments related to tax (income) expense		144.764.974	66.873.120
-Adjustments related to current tax expense	16	146.588.144	71.114.818
-Adjustments related to deferred tax (income) expenses	16	(1.823.170)	(4.241.698)
Adjustments related to interest income and expenses		(88.858.825)	(76.226.029)
-Adjustments related to interest income	22	(259.060.642)	(160.774.649)
-Adjustments related to interest expenses	22	170.201.817	84.548.620
Adjustments Related to Fair Value Losses (Gains)	21	1.471.582	-
-Adjustments Related to Fair Value Loss (Gains) of Financial Assets	21	1.471.582	-
Other adjustments related to profit (loss) reconciliation		(280.241)	(11.887)
-Dividend income from associates		(280.241)	(11.887)
Adjustments Related to Losses (Gains) Due to Disposals of Associates, Joint Ventures and Financial Investments or Changes in Shares		-	(2.904.346)
Changes in working capital			
Adjustments related to increase/decrease in trade receivables		(700.790.799)	(88.382.346)
Adjustments related to increase/decrease in trade payables		353.534.440	47.055.012
Increase/decrease in financial investments		(238.811.753)	7.410.290
Adjustments related to other increase/decrease in working capital		(136.667.630)	2.015.997
Adjustments related to increase/decrease in lease payables		65.255	414.543
Cash flows from operating activities			
Interests received		221.083.136	156.626.738
Dividends received		(1.191.341)	11.887
Tax (payments) returns	16	(106.544.192)	(61.966.505)
Payments related to provision for employee benefits	15	(5.666.289)	(3.908.961)
B. Cash flows from investing activities		(11.619.094)	(6.292.700)
Cash Inflows Due to Share Sale or Capital Decrease or Associates and/or Joint Ventures		(192.453)	4.078.385
Cash inflows from the sale of property, plant and equipment	11	8.221	214.750
Cash outflows from the purchase of property, plant and equipment	11	(6.226.061)	(10.110.251)
Cash outflows from the purchase of intangible assets	12	(5.208.801)	(475.584)
C. Cash flows from financing activities		1.901.555.701	(218.541.343)
Cash inflows from borrowing	7	2.216.458.201	-
-Cash Inflows from Issued Debt Instruments	7	737.673.201	-
-Cash Inflows from Other Financial Borrowings	7	1.478.785.000	-
Interest paid		(179.902.500)	(84.541.343)
Dividends paid	17	(135.000.000)	(134.000.000)
Net increase (decrease) in cash and cash equivalents before the effect of foreign currency translation differences (A+B+C)		1.789.331.961	53.080.797
D. Effects of foreign currency translation differences on cash and cash equivalents		13.381.280	10.487.589
Net increase (decrease) in cash and cash equivalents (A+B+C+D)		1.802.713.241	63.568.386
E. Cash and cash equivalents at the beginning of the period	3	243.068.760	179.500.374
Cash and cash equivalents at the end of the period (A+B+C+D+E)	3	2.045.782.001	243.068.760

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

1. Organization and operations of the Company

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

According to Capital Market Law's serial III-37.1 numbered "Disclosure of Investment Services and Operations with Ancillary Services Principles" that was published in official gazette on 11 July 2013 and come into force on 1 July 2014, the Company operates as "Broad Authorized Intermediary Firm".

The Company was classified as "Broad Authorized Intermediary Firm" in the bulletin published in Capital Market Law's 15 October 2015 dated 2015/27 numbered, and it is authorized to operate in investment service and activities.

The Company operates with 10 branches (31 December 2021: 7). Each branch of T. Halk Bankası A.Ş., act as an intermediary for the transmission of orders on behalf of the Company in capital market transactions.

The address of the Company is Barbaros Mah. Mor Sümbül Sk. WBC İş Merkezi Blok No:9 İç Kapı No:21 Ataşehir / İstanbul.

As of 31 December 2022, the Company has 165 employees (31 December 2021: 157).

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

	31 December 2022	31 December 2021
Türkiye Halk Bankası A.Ş.	100.00%	100.00%
Total	100.00%	100.00%

Approval of the Financial Statements:

Board of Directors approved the financial statements and delegated authority for publishing it on 17 February 2023.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements

The preparation of financial statements

Statement of Compliance to TFRS

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

In addition, the financial statements and footnotes have been presented in accordance with the formats announced by the POA on 15 April 2019 with the “Announcement on TFRS Taxonomy” and with the CMB's announcement on 7 June 2013. The financial statements are prepared on the basis of historical cost, with the exception of financial assets, derivative financial instruments at FVTPL and financial assets at FVTOCI. In determining the historical cost, the fair value of the amount paid for the assets is generally taken as the basis.

Currency Used

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

Preparation of financial statements in hyperinflationary periods

POA made an announcement on 20 January 2022 regarding the application of TAS 29 “Financial Reporting in Hyperinflationary Economies” (“TAS 29”) for entities adopting Turkish Financial Reporting Standards (“TFRS”) for the year ended 31 December 2021. The announcement stated that, entities that apply TFRS should not adjust their financial statements in accordance with TAS 29 for the year ended 31 December 2021. As of the date of this report, POA has not made any further announcements regarding the scope and application of TAS 29. As a result, no inflation adjustment was made to the accompanying financial statements as of 31 December 2022 in accordance with TAS 29.

Comparative Information, Adjustment and Reclassification of Prior Period Financial Statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation in the current period financial statements, and material differences are disclosed.

Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period financial statements are restated. The Company has not made any changes in its accounting policies in the current year due to the effects of the changes in the standards.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. There has been no significant change in the accounting estimates of the Company in the current year.

Significant changes in accounting policies have been applied retrospectively and prior period financial statements are restated. There is no accounting error that may cause to restate the Company's financial statements.

New and Amended Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2022

Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018-2020	<i>Amendments to TFRS 1, TFRS 9 and TAS 41</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>

Amendments to TFRS 3 *Reference to the Conceptual Framework*

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

Amendments to TAS 16 *Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont’d*)

New and Amended Turkish Financial Reporting Standards (*cont’d*)

a) Amendments that are mandatorily effective from 2022 (*cont’d*)

Amendments to TAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 1 *First time adoption of International Financial Reporting Standards*

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to TFRSs.

Amendments to TFRS 9 *Financial Instruments*

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

Amendments to TAS 41 *Agriculture*

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021*

Public Oversight Accounting and Auditing Standards Authority (“POA”) has published Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021* that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

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Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (cont'd)

New and Amended Turkish Financial Reporting Standards (cont'd)

a) Amendments that are mandatorily effective from 2022 (cont'd)

Amendments to TFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021 (cont'd)

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

The Company did not elect early application of the amendments.

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

The Company has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TAS 1	<i>Disclosure of Accounting Policies</i>
Amendments to TAS 8	<i>Definition of Accounting Estimates</i>
Amendments to TAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to TFRS 17	<i>Initial Application of TFRS 17 and TFRS 9 — Comparative Information (Amendment to TFRS 17)</i>
Amendments to TFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to TAS 1	<i>Non-current Liabilities with Covenants</i>

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 *Insurance Contracts* as of 1 January 2023.

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Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

New and Amended Turkish Financial Reporting Standards (*cont'd*)

b) New and revised TFRSs in issue but not yet effective (cont'd)

Amendments to TAS 1 *Classification of Liabilities as Current or Non-Current*

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 4 *Extension of the Temporary Exemption from Applying TFRS 9*

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 *Insurance Contracts* from applying TFRS 9, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023 with the deferral of the effective date of TFRS 17.

Amendments to TAS 1 *Disclosure of Accounting Policies*

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 8 *Definition of Accounting Estimates*

With this amendment, the definition of "a change in accounting estimates" has been replaced with the definition of "an accounting estimate", sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

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Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

New and Amended Turkish Financial Reporting Standards (*cont'd*)

b) New and revised TFRSs in issue but not yet effective (cont'd)

Amendments to TFRS 17 *Insurance Contracts and Initial Application of TFRS 17 and TFRS 9 — Comparative Information*

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before.

Amendments are effective with the first application of TFRS 17.

Amendments to TFRS 16 *Lease Liability in a Sale and Leaseback*

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

Amendments to TAS 1 *Non-current Liabilities with Covenants*

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

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Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Summary of significant accounting policies

Accounting of income and expenses

Sales income and financial income

Sales Income

-Interest income: Interests received from customers are presented in "Sales income" (Note 18), interests from time deposits are presented in "Finance income" (Note 22).

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

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

Service Income

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

-Capital markets brokerage services: The brokerage service fees for trading in capital markets are recognized in profit/loss at the date of purchase/sale. Revenues arising from transactions are recognized daily in profit/loss on an accrual basis until the date when the collection becomes doubtful in accordance with the management's estimation and interpretation.

-Consultancy service income: The Company provides investment consultancy services to corporate firms in public offerings based on contracts. Since the results of projects cannot be estimated reliably and costs incurred are unlikely to be recovered, the Company revenue is recognized only when it is finalized and when the money is collected.

Other

The Company recognizes the dividend and similar revenues when the right to receive payment have been established. Interest expenses are recognized according to accrual basis in profit or loss. Other income and expenses are recognized on accrual basis.

Related Parties

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Summary of significant accounting policies (*cont'd*)

Related Parties (*cont'd*)

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

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

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

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment. Cost refers to expenses directly related to the acquisition of the asset.

Properties in the course of construction for administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes legal fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Summary of significant accounting policies (*cont'd*)

Property, plant and equipment (cont'd)

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

Non-current asset type	Estimated useful life (year)
Machine and equipment	8
Furniture and fixtures	3-15
Leasehold improvements	5

Intangible assets

Intangible assets acquired separately

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

Leases

The Company as Lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Summary of significant accounting policies (*cont'd*)

Leases (cont'd)

The Company as Lessee (cont'd)

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under TAS 37. The costs are included in the related right-of-use asset unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies TAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

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Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Summary of significant accounting policies (*cont'd*)

Leases (cont'd)

The Company as Lessee (cont'd)

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in profit or loss.

As a practical expedient, TFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

Investments accounted for by using equity method

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Investment in associates is accounted for using the equity method and is recognized initially at cost. According to the equity method, in the statement of financial position, affiliates are shown over the amount obtained as a result of the correction of the cost value by the Company's share in the change in the net assets of the affiliate in the post-purchase period, less any impairment in the affiliate. The affiliate's losses exceeding the Company's share in the affiliate (which essentially includes any long-term investment that forms part of the Company's net investment in the affiliate) are not recorded.

Financial instruments

Financial assets

At initial recognition, the Company measures a financial asset at its fair value, except for trade receivables that do not contain significant financing component. The Company measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component (or if the Company chooses the facilitative application) in accordance with TFRS 15 (or when the Company applies the practical expedient) at initial recognition.

At initial recognition, Company measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. Financial assets that are traded in an ordinary way are recognized initially at their fair value on the trade date [delivery date].

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Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Summary of significant accounting policies (*cont'd*)

Financial instruments (cont'd)

Financial assets (cont'd)

The Company classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Company reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL.

Financial assets that constitute derivative products that have not been designated as a hedging instrument are also classified as financial assets at fair value through profit or loss. The related financial assets are presented with their fair values, the resulting gains and losses are recorded in profit and loss statement.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Company accounts for the cumulative gain or loss that was previously recognized in other comprehensive income in financial statements. Interest calculated using the effective interest method is recognized in profit or loss.

At initial recognition, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Summary of significant accounting policies (*cont'd*)

Financial instruments (cont'd)

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue of financial assets measured at amortized cost is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss.

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Summary of significant accounting policies (*cont'd*)

Financial instruments (cont'd)

Impairment

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Company applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

At each reporting date, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Company only recognizes the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

The Company measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

Impairment that is measured in the scope TFRS 9 does not have a significant impact on the Company's financial statements.

Recognition and derecognition of financial assets

The Company recognizes a financial asset or a financial liability in its statement of financial position when, and only, the entity becomes a party to the contractual provisions of the instrument. The Company derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

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Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Summary of significant accounting policies (*cont'd*)

Financial instruments (cont'd)

Recognition and derecognition of financial assets (cont'd)

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received. The Company shall remove a financial liability from its statement of financial position when, and only, the obligation specified in the contract is discharged or cancelled or expire.

Financial liabilities

At initial recognition, the Company measures a financial liability at its fair value, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the issue of the financial liability.

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for:

(a) Financial liabilities at fair value through profit or loss: Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

(b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognized in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Company continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.

(c) Contingent consideration recognized by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration is subsequently be measured at fair value with changes recognized in profit or loss.

The Company does not reclassify any financial liability.

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Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Summary of significant accounting policies (*cont'd*)

Financial instruments (cont'd)

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Company has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Summary of significant accounting policies (*cont'd*)

Effects of Exchange Differences

Foreign Currency Transactions and Balances

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

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

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

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

Transactions in foreign currency are translated into TL at the foreign currency rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the end of the reporting period. Exchange differences arising from such transactions are recognized in profit/loss for the period.

As of 31 December 2022 and 31 December 2021, exchange rates used by the Company are as follows:

	31 December 2022	31 December 2021
US Dollar ("US Dollar")	18,6983	13,3290
Euro	19,9349	15,0867

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Summary of significant accounting policies (*cont'd*)

Earnings per Share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. Therefore, the weighted average stock share, which is used in the calculation of earnings per share, is determined by retrospective application of bonus share issue.

Events after the Reporting Period

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

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

Provisions, Contingent Assets and Liabilities

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

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

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

Onerous contracts

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

Restructuring

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Summary of significant accounting policies (*cont'd*)

Provisions, Contingent Assets and Liabilities (*cont'd*)

Warranties

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

Reporting of Financial Information by Segments

There are no different fields of activity and different geographic regions that require segment reporting.

Income Tax

Tax provisions have been calculated on a separate-entity basis.

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

Current tax

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

Deferred tax

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

2. Basis of presentation of the financial statements (*cont'd*)

Summary of significant accounting policies (*cont'd*)

Income Tax (*cont'd*)

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

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

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized directly in equity, in which case, the current and deferred tax are also recognized in equity.

Employee Benefits

Termination and retirement benefits:

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

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

Profit-sharing and bonus plans

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

Statement of Cash Flows

In the statement of cash flows, cash flows for the period are reported by classification based on operating, investing and financing activities.

Capital and Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

3 Cash and cash equivalents

Cash and cash equivalents as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Banks	2.191.979.212	317.193.447
- <i>Time deposit</i>	2.020.004.348	227.051.694
- <i>Demand deposit</i>	171.974.864	90.141.753
Receivables from reverse repo transactions	31.731.215	1.217.667
Provision for expected credit loss (-)	(299.297)	(42.957)
Total cash and cash equivalents on statement of financial position	2.223.411.130	318.368.157
Interest income discount on cash and cash equivalents	(46.331.148)	(1.451.694)
Provision for expected credit loss on cash and cash equivalents	299.297	42.957
Customer deposits ⁽¹⁾	(131.597.278)	(73.890.660)
Total cash and cash equivalents on statement of cash flows	2.045.782.001	243.068.760

⁽¹⁾ The portion of the bank deposits amounting to TL 131,597,278 (31 December 2021: TL 73,890,660) consists of the customers' assets held as demand deposits in the Company's deposit accounts as of 31 December 2022, which have not yet been invested.

As of 31 December 2022, TL 1,968,864,622 of time deposit (31 December 2021: TL 227,051,694) and TL 161,307,803 of demand deposit (31 December 2021: TL 82,140,057) is at T. Halk Bankası A.Ş., the main shareholder of the Company.

As of 31 December 2022, the maturity of the receivables from reverse repo transactions is 32 days and the interest rate is 13.39% (31 December 2021: 28 days maturity, 15.75%).

As of 31 December 2022 and 31 December 2021, the details of time deposits of the Company are as follows:

31 December 2022				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
Türkiye Halk Bankası A.Ş.	20%-26%	2 January 2023-16 March 2023	TL	1.968.864.622
Diğer	26%	25 January 2023	TL	51.139.726
Total				2.020.004.348
31 December 2021				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
Türkiye Halk Bankası A.Ş.	15.25%-21%	3 January 2022-9 February 2022	TL	227.051.694
Total				227.051.694

As of 31 December 2022 and 31 December 2021, there is no blockage on cash and cash equivalents of the Company.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

4. Financial investments

Short-term financial investments

As of 31 December 2022 and 31 December 2021, short-term financial investments are as follows:

Financial assets at fair value through profit/loss

	31 December 2022			31 December 2021		
	Nominal value	Cost value	Carrying value	Nominal value	Cost value	Carrying value
Shares	-	-	-	2.720.552	22.528.958	21.546.679
Government bonds	118.690.002	116.405.287	118.502.314	8.335.933	8.870.784	8.903.459
Investment Funds	136.303.563	150.000.254	151.741.856	-	-	-
Total			270.244.170			30.450.138

Long-term financial investments

As of 31 December 2022 and 31 December 2021, long-term financial investments are as follows:

Financial assets at fair value through other comprehensive income

Share investments	31 December 2022		31 December 2021	
	Carrying value	Ownership (%)	Carrying value	Ownership (%)
Borsa İstanbul A.Ş.(1)	1.517.254	0,038	1.517.254	0,038
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	3.880.564	0,038	896.830	0,038
Ziraat Portföy Yönetimi A.Ş.(2)	50.000	0,001	12.500	0,001
Total	5.447.818		2.426.584	

(1) In the current period, the related shares are valued with the price per share determined by Borsa İstanbul A.Ş. at the meeting dated 15 January 2018 and numbered 2018/6 and the valuation effect is recognized under gains on revaluation and reclassification in equity.

(2) Stated at cost value in financial statements.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

5 Related party disclosures

Receivables from related parties and payables to related parties

As of 31 December 2022 and 31 December 2021, the receivables and payables from related parties are as follows:

	31 December 2022	31 December 2021
Cash and cash equivalents		
Türkiye Halk Bankası A.Ş.	2.130.172.425	309.191.751
-Time deposits	1.968.864.622	227.051.694
-Demand deposits	161.307.803	82.140.057
Total	2.130.172.425	309.191.751
	31 December 2022	31 December 2021
Stock shares investments		
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	3.880.564	896.830
-Stock shares	3.880.564	896.830
Total	3.880.564	896.830
	31 December 2022	31 December 2021
Trade receivables from related parties		
Türkiye Halk Bankası A.Ş.	138.414	388.490
Total	138.414	388.490
	31 December 2022	31 December 2021
Payables to related parties		
Halkbank Spor Kulübü	2.060.000	-
Türkiye Halk Bankası A.Ş.	277.482	-
Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş.	8.421	2.471
Total	2.345.903	2.471

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

5 Related party disclosures (*cont'd*)

Transactions with related parties

Transactions with related parties for the periods ended 31 December 2022 and 31 December 2021 are as follows:

Income from related parties

	1 January – 31 December 2022	1 January – 31 December 2021
<u>Türkiye Halk Bankası A.Ş.</u>		
Commission income on public offerings brokerage	17.780.300	17.489.000
Interest income on deposits	110.841.053	38.299.297
Commission income from brokerage	796.147	388
Investment consultancy service income	2.710.000	2.400.000
Other income	1.244.757	1.235.649
<u>Halk Gayrimenkul Yatırım Ortaklığı A.Ş.</u>		
Consultancy service income	375.000	-
Commission income from brokerage	4.177	-
<u>Halk Finansal Kiralama A.Ş.</u>		
Commission income on public offerings brokerage	1.412.750	950.000
Amortization income on bonds	-	934.800
<u>Halk Varlık Kiralama A.Ş.</u>		
Sukuk issuance brokerage commission income	6.901.250	5.105.800
Amortization income from lease certificate	187.559	26
Total	142.252.993	66.414.961

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

5 Related party disclosures (*cont'd*)

Transactions with related parties (*cont'd*)

Payables to related parties

	1 January – 31 December 2022	1 January – 31 December 2021
<u>Türkiye Halk Bankası A.Ş.</u>		
Rent expenses	4.493.646	3.117.401
Common expense contribution expense	3.216.551	528.568
Campaign bonus expense	606.313	2.142.590
Commissions of guarantee letter	162.140	99.710
Bank charges	95.233	59.497
Used loan interest expense	187.160	-
<u>Halkbank Spor Kulübü</u>		
Sponsorship expenses	8.550.000	4.350.000
<u>Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş.</u>		
Service expense	98.710	31.147
<u>Halk Varlık Kiralama A.Ş.</u>		
Sukuk bonus expenses	-	354.000
<u>Halk Gayrimenkul Yatırım Ortaklığı A.Ş.</u>		
Repo interest expense	139	-
Total	17.409.892	10.682.913

The shares of Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. were transferred to the main shareholder of the Company, Türkiye Halk Bankası A.Ş., with the decision of the Board of Directors dated 8 March 2021 and numbered 2021/16.

Benefits provided to key management

The key personnel received remuneration and fees amounting in total TL 6,515,453 for the period ended 31 December 2022 (31 December 2021: TL 5,079,808).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

6 Trade receivables and payables

Trade receivables

As of 31 December 2022 and 31 December 2021, trade receivables of the Company are as follows:

	31 December 2022	31 December 2021
Receivables from loan customers	712.340.476	160.264.767
Futures and options market collaterals	244.514.819	197.770.155
Leveraged trade collaterals	5.041.890	9.598.453
Receivables from customers	102.360.869	5.325.146
Collaterals of borrowed securities	3.210.925	470.893
Due from related parties (Note 5)	138.414	388.490
Doubtful trade receivables	13.322.401	13.614.630
Provision for doubtful trade receivables	(13.322.401)	(13.614.630)
Total	1.067.607.393	373.817.904

The movement of the provision of doubtful receivables of the Company as of 31 December 2022 and 31 December 2021 is as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Beginning of the period	13.614.630	555.296
Provisions during the period	99.362	13.059.334
Collected during the period	(391.591)	-
End of the period	13.322.401	13.614.630

Trade payables

As of 31 December 2022 and 31 December 2021, trade payables of the Company is as follows:

	31 December 2022	31 December 2021
Leveraged trade collaterals	4.506.581	8.278.109
Futures and options market collaterals	244.449.525	192.496.398
Payables to customers	275.925.223	99.982.233
Public offering demands	118.732.576	-
Sellers	11.600.167	6.006.357
Payables to related parties (Note 5)	2.345.903	2.471
Guarantees received for securities lent	3.210.926	470.893
Total	660.770.901	307.236.461

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

7 Short-term borrowings

As of 31 December 2022 and 31 December 2021, the details of the Company's borrowings are as follows:

	31 December 2022	31 December 2021
Issued financial bonds	747.630.223	-
Payables to Takasbank money market	1.493.061.685	-
Total	2.240.691.908	-

As of 31 December 2022, the Company's issued bonds, notes and bills are as follows:

31 December 2022					
ISIN	Issue date	Maturity	Interest rate (%)	Nominal	Amount
TRFHALK12317	17 November 2022	25 January 2023	22.00%	100.000.000	98.611.130
TRFHALK12325	30 November 2022	25 January 2023	22.00%	225.000.000	221.851.607
TRFHALK22316	9 December 2022	7 February 2023	22.25%	100.000.000	97.824.400
TRFHALK32315	15 December 2022	2 March 2023	22.00%	118.000.000	113.922.104
TRFHALK32323	27 December 2022	16 March 2023	22.00%	225.000.000	215.420.982
Total					747.630.223

As of 31 December 2022, the Company's financial borrowings are as follows.

31 December 2022			
	Interest rate (%)	Maturity	Amount
Takasbank Money Market	10.9%-17.5%	2 January 2023-15 February 2023	1.493.061.685
Total			1.493.061.685

8 Other non-current assets

In 2021, the Gamification Project and Robodanışmanlık (Smart Suggestion System), developed by the Teknopark Software and Project Development team based on the infrastructures of the Macellum I and II projects, were completed. Completion reports of the projects were given to the Teknopark management, and they were taken to the review and approval stage by the Teknopark management.

Our project, which is the continuation of the Robodanışmanlık (Smart Suggestion System) project and which we call Robodanışmanlık 2, started in 2020. The studies carried out at Teknopark in order to develop additional modules for the Smart Suggestion System and to increase the service steps were completed in June 2022.

With the completion of our project, which received a completion letter from the Teknopark Management in June 2022 and was approved by the relevant Ministry, the Teknopark project team studies were terminated and our office was closed.

Successful results have been achieved in all three projects developed in Teknopark over a long period of time, and the applications are still actively used by our investors.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

8 Other non-current assets (*cont'd*)

	1 January - 31 December 2022	1 January - 31 December 2021
Beginning of the period	4.566.493	3.450.502
Increase during the period	-	1.115.991
Decrease during the period	(4.566.493)	-
End of the period	-	4.566.493

9 Other receivables and payables

Other receivables

As of 31 December 2022 and 31 December 2021, other receivables are as follows:

	31 December 2022	31 December 2021
Leveraged transaction foreign collaterals	22.444.459	12.053.887
BISTECH Share MKT transaction collateral ⁽²⁾	32.709.238	11.027.885
TEFAS transaction collateral ⁽⁴⁾	8.166.277	4.929.097
VIOP, Share, Lending and Debt Instruments guarantees ⁽¹⁾	11.972.122	2.860.634
BAP MTK transaction collaterals ⁽³⁾	57.999.940	4.333.327
Rental and other security deposits	49.651	29.250
Other	1.243.662	774.661
Expected loss provision(-)	(127.025)	(34.508)
Total	134.458.324	35.974.233

- (1) Consists of cash guarantees given by the Company to Istanbul Takas ve Saklama Bankası A.Ş. to transact in VIOP and other markets.
- (2) It consists of cash guarantees given by the Company to Istanbul Takas ve Saklama Bankası A.Ş. for trading in the Equity market.
- (3) Consists of cash guarantees given by the Company to Istanbul Takas ve Saklama Bankası A.Ş. for trading in the debt securities market.
- (4) Consists of cash guarantees given by the Company to Istanbul Takas ve Saklama Bankası A.Ş. for TEFAS transactions.

Other payables

As of 31 December 2022 and 31 December 2021, other payables are as follows:

	31 December 2022	31 December 2021
Taxes, duties and fees payable	21.854.453	13.261.862
Other	3.918.304	5.442.726
Total	25.772.757	18.704.588

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

10 Prepaid expenses

As of 31 December 2022 and 31 December 2021 prepaid expenses are as follows:

	31 December 2022	31 December 2021
Prepaid expenses ⁽¹⁾	13.160.850	6.566.681
Prepaid leases	-	98.016
Total	13.160.850	6.664.697

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

11 Property, plant and equipment

For the years ended 31 December 2022 and 31 December 2021, movement of the property, plant and equipment is as follows:

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
Opening balance, 1 January 2021	8.051.930	2.165.645	3.150.285	13.367.860
Additions	3.736.241	432.573	5.941.437	10.110.251
Disposals	(200.433)	(413.309)	(2.758.064)	(3.371.806)
Closing balance, 31 December 2021	11.587.738	2.184.909	6.333.658	20.106.305
Opening balance, 1 January 2022	11.587.738	2.184.909	6.333.658	20.106.305
Additions	3.603.040	485.778	2.137.243	6.226.061
Disposals	(127.217)	-	-	(127.217)
Closing balance, 31 December 2022	15.063.561	2.670.687	8.470.901	26.205.149
Accumulated depreciation				
Opening balance, 1 January 2021	3.759.024	1.894.416	2.669.713	8.323.153
Charge for the period	1.816.218	143.444	741.889	2.701.551
Disposals	(166.168)	(403.040)	(2.360.136)	(2.929.344)
Closing balance, 31 December 2021	5.409.074	1.634.820	1.051.466	8.095.360
Opening balance, 1 January 2022	5.409.074	1.634.820	1.051.466	8.095.360
Charge for the period	2.265.626	204.515	1.533.022	4.003.163
Disposals	(118.996)	-	-	(118.996)
Closing balance, 31 December 2022	7.555.704	1.839.335	2.584.488	11.979.527
Net carrying value				
31 December 2021	6.178.664	550.089	5.282.192	12.010.945
31 December 2022	7.507.857	831.352	5.886.413	14.225.622

In the accounting period for the period ending on 31 December 2022, TL 6,226,061 of property, plant and equipment was purchased (31 December 2021: TL 10,110,251).

In the accounting period ending on 31 December 2022, the total insurance amount on tangible fixed assets is TL 22,129,120 (31 December 2021: TL 11,451,760).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2022

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

12 Intangible assets

For the years ended 31 December 2022 and 31 December 2021, movement of the intangible assets is as follows:

	Software programs
Cost value	
Opening balance, 1 January 2021	5.151.505
Additions	475.584
Closing balance, 31 December 2021	5.627.089
Opening balance, 1 January 2022	5.627.089
Additions	5.208.801
Closing balance, 31 December 2022	10.835.890
Accumulated amortization	
Opening balance, 1 January 2021	3.708.372
Charge for the period	782.368
Closing balance, 31 December 2021	4.490.740
Opening balance, 1 January 2022	4.490.740
Charge for the period	1.435.850
Closing balance, 31 December 2022	5.926.590
Net carrying value	
31 December 2021	1.136.349
31 December 2022	4.909.300

In the accounting period ended 31 December 2022, intangible assets amounting to TL 5,208,801 have been purchased (31 December 2021: TL 475,584).

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Notes to the Financial Statements for the Year Ended 31 December 2022

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

13 Right-of-use assets and lease payables

As of 31 December 2022 and 31 December 2021, movement of right-of-use assets and lease payables are as follows:

	Building lease rights	Vehicle lease rights	Total
Cost			
Opening balance, 1 January 2021	2.939.006	3.571.320	6.510.326
Additions	7.993.594	-	7.993.594
Disposals	(2.358.009)	(10.506)	(2.368.515)
Closing balance, 31 December 2021	8.574.591	3.560.814	12.135.405
Opening balance, 1 January 2022	8.574.591	3.560.814	12.135.405
Additions	3.597.080	627.874	4.224.954
Disposals	-	(1.638.297)	(1.638.297)
Closing balance, 31 December 2022	12.171.671	2.550.391	14.722.062
Accumulated depreciation			
Opening balance, 1 January 2021	2.214.434	910.180	3.124.613
Charge for the period	2.570.748	1.222.747	3.793.495
Disposals	(1.970.522)	-	(1.970.522)
Closing balance, 31 December 2021	2.814.660	2.132.927	4.947.586
Opening balance, 1 January 2022	2.814.660	2.132.927	4.947.586
Charge for the period	4.226.013	1.216.589	5.442.602
Disposals	-	(1.639.258)	(1.639.258)
Closing balance, 31 December 2022	7.040.673	1.710.258	8.750.930
Net carrying value			
31 December 2021	5.759.932	1.427.887	7.187.819
31 December 2022	5.130.998	840.133	5.971.132
		31 December 2022	31 December 2021
Distribution of lease liabilities			
Current		5.604.123	4.938.062
Non-current		1.208.797	3.026.290
Closing balance		6.812.920	7.964.352

14 Provisions, contingent assets and liabilities

Other short-term provisions

As of 31 December 2022 and 31 December 2021, short-term provisions for liabilities are as follows:

	31 December 2022	31 December 2021
Provision for litigation	3.189.200	577.669
Expenses payable	35.042	482.048
Common expense contribution share	12.284	44.675
Provision for sales commission payable	-	1.000.000
Other expense provisions	538	-
Total	3.237.064	2.104.392

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14 Provisions, contingent assets and liabilities (*cont'd*)

Off-balance sheet liabilities

As of 31 December 2022 and 31 December 2021 off-balance sheet liabilities are as follows:

Guarantee letters

	31 December 2022	31 December 2021
TMM Transaction Collaterals (Takasbank)	1.500.000.000	-
Borsa İstanbul AŞ (BİST)	80.000	80.000
SPK	1.776	1.776
Other	1.384.550	45.000
Total	1.501.466.326	126.776

As of 31 December 2022, the Company has a guarantee given to liquidity providers amounting to USD 2,000,000 in order to be able to perform KAS transactions (31 December 2021: USD 2,000,000).

Other off-balance sheet liabilities

Items held in custody (nominal)	31 December 2022	31 December 2021
Stock share	7.446.567.336	7.621.555.434
Warrants	93.773.944	52.522.948
Other securities	8.079.922.161	4.425.335.041
Futures and options market contracts (number)	98.451	142.280

As of 31 December 2022, there are futures and option markets guarantees amounting to TL 244,449,525 at Istanbul Takas ve Saklama Bankası A.Ş. (31 December 2021: TL 192,496,398).

As of 31 December 2022 and 31 December 2021, the open transaction amounts of customers in the Futures and Options Market are as follows:

	31 December 2022	31 December 2021
Open transaction amount	701.534.127	285.849.031

Lawsuits

As of 31 December 2022, total risk of lawsuits sued against the Company are amounting to approximately TL 3,189,200 (31 December 2021: TL 577,669) and TL 3,189,200 of provision is provided for these lawsuits on the financial statements (31 December 2021: TL 577,669).

	1 January – 31 December 2022	1 January – 31 December 2021
Beginning of the period	577.669	453.504
Increase during the period	2.611.531	144.950
Provision released	-	(20.785)
End of the period	3.189.200	577.669

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15 Provisions related to employee benefits

As of 31 December 2022 and 31 December 2021, the details of employee benefits are as follows:

	31 December 2022	31 December 2021
<i>Short-term</i>		
- Provision for unused vacation	5.065.523	2.201.317
- Personnel bonus provision	13.149.875	4.183.330
<i>Long-term</i>		
- Provision for employment termination benefit	9.731.984	4.776.557

Provision for unused vacation

Provision for unused vacations is the total undiscounted liability amount corresponding to the days of leave entitled but not yet used by all employees. The movements of provision for the unused vacation in the accounting periods ended 31 December 2022 and 31 December 2021 are as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
Beginning of the period	2.201.317	1.423.996
Increase in the period	3.349.315	1.114.371
Paid within the period	(485.109)	(337.050)
End of the period	5.065.523	2.201.317

Provision for personnel premium

The provision for personnel premium provision consists of the TL 13,149,875 premium that the Company foresees to distribute to the personnel from the provisions allocated in the statement of financial position for 2022 (31 December 2021: TL 4,183,330). The Company has recognized the related amount as expense in accordance with TAS 19 in the current period.

	1 January – 31 December 2022	1 January – 31 December 2021
Beginning of the period	4.183.330	3.069.648
Increase in the period	13.149.875	4.183.330
Paid within	(4.183.330)	(2.811.325)
Provisions released	-	(258.323)
End of period	13.149.875	4.183.330

Termination and retirement benefits

Provision for termination and retirement benefits has been calculated according to the net present value of future liabilities due to retirement of all employees and reflected in the accompanying financial statements.

Under TFRS, actuarial calculation is required to calculate the Company's liabilities. The Company calculated the provision for termination and retirement benefits based on the Company's experience in completing employee service term and entitlement to severance pay using the "Projection Method" in prior periods and recognized it in the accompanying financial statements. Provision for termination and retirement benefits has been calculated according to the net present value of future liabilities due to retirement of all employees. Accordingly, the actuarial assumptions used to calculate the liability as of 31 December 2022 and 31 December 2021 are as follows:

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15 Provisions related to employee benefits (*cont'd*)

	31 December 2022	31 December 2021
Discount rate	13.09%	19,10%
Estimated salary increase rate	10,10%	15,80%
Net discount rate	2,80%	2,85%

The movements of provision for termination and retirement benefits within the accounting periods ended 31 December 2022 and 31 December 2021 are as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
Beginning of the period	4.776.557	3.198.577
Interest cost	138.023	96.277
Service cost	5.815.254	2.242.289
Paid within	(997.850)	(760.586)
End of the period	9.731.984	4.776.557

16 Tax assets and liabilities

In Turkey, the general corporate tax rate is 20%. However, within the scope of the Law No. 7316 on the "Law on the Collection of Public Claims and Amendments to Certain Laws" published in the Official Gazette dated 22 April 2021, this rate will be applied as 25% for the corporate earnings of the institutions for the 2022 taxation period, and 23% for the corporate earnings for the 2021 taxation period, starting from the declarations that must be submitted as of 1 July 2021. This change will be valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021. The corporate tax rate is applied to the tax base to be found as a result of adding the expenses that are not accepted as a deduction in accordance with the tax laws to the commercial income of the corporations, deducting the exceptions and discounts in the tax laws. If there is no dividend distribution, no further tax charges are made.

Evaluation of Immovable Property Owned by the Treasury No. 7394, which was published in the Official Gazette dated 15 April 2022 and numbered 31810 and the Law on Amending the Value Added Tax Law and the Law on Amending Certain Laws and Decrees with the Force of Law and with the paragraph added to the provisional article 13 of the Corporate Tax Law No. 5520, it has been decided to apply the corporate tax rate for financial institutions as 25% of the corporate earnings for the 2022 taxation period.

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

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

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

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

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16 Tax assets and liabilities (cont'd)

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

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Corporate tax returns are submitted to the relevant tax office until the evening of the 25th day of the fourth month following the month in which the accounting period is closed. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

In accordance with the tax legislation, tax losses can be carried forward up to 5 years.

A reconciliation illustrates the differences between the total tax provision and the amount calculated by applying the legal tax rate to the profit before tax of the periods ended 31 December 2022 and 31 December 2021.

	1 January – 31 December 2022	1 January – 31 December 2021
Profit before tax	567.485.895	268.529.470
Corporate tax calculated with statutory tax rate (25%)	141.871.474	67.132.368
Non-deductible expenses	5.880.083	1.252.818
Non-taxable income	(2.803.874)	(1.512.066)
The effect of temporary change in prepaid corporate tax rate	(182.709)	-
Tax expense	144.764.974	66.873.120
	1 January – 31 December 2022	1 January – 31 December 2021
Current tax expense	(146.588.144)	(71.114.818)
Deferred tax (expense)/income	1.823.170	4.241.698
Tax expense	(144.764.974)	(66.873.120)

As of 31 December 2022 and 31 December 2021, the corporation tax payable after deduction of prepaid taxes is accounted under "current tax liabilities" in "corporate tax payable" or in "current tax assets" account.

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Notes to the Financial Statements for the Year Ended 31 December 2022

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Tax assets and liabilities (*cont'd*)

	31 December 2022	31 December 2021
Prepaid provisional tax	84.120.201	48.690.827
Current corporate tax expense	(146.588.144)	(71.114.818)
Current tax (liabilities) / assets	(62.467.943)	(22.423.991)

Deferred tax

As at 31 December 2022 and 31 December 2021, details of net deferred tax assets and liabilities are as follows:

	Total Provisional Difference		Deferred Tax Asset / (Liability)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Deferred tax assets				
Provision for employment termination benefits	9.731.984	4.776.557	2.432.996	955.311
Provision for unused vacation	5.065.523	2.201.317	1.266.381	506.303
Provision for personnel dividend premium	13.149.875	4.183.330	3.287.469	962.166
Provision for doubtful receivables	-	13.042.288	-	2.999.726
Lawsuit provision	3.189.200	577.669	797.300	132.864
Tax laws and method differences of property, plant and equipment and intangible asset depreciation	-	120.245	-	24.049
Financial investments valuation differences	590.002	-	124.008	-
Provision for expected loss	426.340	77.539	106.585	17.834
Other	-	1.000.000	-	230.000
Total deferred tax assets	32.152.924	25.978.945	8.014.739	5.828.253
Deferred tax liabilities				
Financial investments valuation differences	-	(1.561.085)	-	(118.762)
Tax laws and method differences of property, plant and equipment and intangible asset depreciation	(636.088)	-	(159.022)	-
Provision for doubtful receivables	(292.230)	-	(73.057)	-
Other	(1.000.000)	-	(250.000)	-
Total deferred tax liability	(1.928.318)	(1.561.085)	(482.079)	(118.762)
Net deferred tax asset / (liability)	30.224.606	24.417.860	7.532.660	5.709.491

17

Shareholders' equity

At the General Assembly held on 30 March 2022, it is decided that first order general legal reserve amounting to TL 9,200,000 will be set aside from the net profit for the year 2021, in accordance with Article 21/b of the Articles of Association, the Company's shareholders will be paid a 1st dividend of TL 7,500,000 at the rate of 5% of the paid-in capital, in accordance with Article 21/d of the Articles of Association, TL 127,500,000 will be allocated to the shareholders of the company as II. dividend, TL 13,168,333.01 will be set aside as II. legal reserve, total of TL 135,000,000 will be paid to the shareholders in cash, including of a 1st dividend of TL 7,500,000 and a 2nd dividend of TL 127,500,000, TL 2,178,278.65 will be allocated as Special Reserves, (it is 75% of the participation earnings in accordance with the 1/e clause of the 5th article of the Corporate Tax Law No. 5520) and TL 42,109,738.34 will be set aside as extraordinary reserve. Trade registry approval was registered on 4 April 2022 and announced in the Trade Registry Gazette dated 8 April 2022 and numbered 10555.

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Shareholders' equity (cont'd)

Restricted reserves appropriated from profit

Under the Turkish Commercial Code legal reserves consist of first and second legal reserves. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the paid-in share capital. The second legal reserve is calculated as the 10% of dividend distributions, in excess of 5% of paid-in capital. The legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

As of 31 December 2022, the Company has restricted reserves amounting to TL 97,792,814 appropriated from profit (31 December 2021: TL 73,246,202).

Revaluation and reclassification gains (securities increment value fund)

Securities increment value fund consists of the accumulated net change in the fair value of financial assets held for sale until they are derecognized or impaired.

Other earnings

All actuarial gains and losses arising from the recognition of defined benefit liabilities resulting from the new amendment to TAS 19, are recognized as "other earnings" under other comprehensive income.

Retained earnings

As of 31 December 2022, the Company has retained earnings profit amounting to TL 44,415,499 (31 December 2021: TL 2,305,761).

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18 Revenue and cost of sales

Income from operating activities for the years ended 31 December 2022 and 31 December 2021 is as follows:

	1 January – 31 December 2022	1 January – 31 December 2021
Revenue		
Government bond sales	1.127.167.678	351.229.211
Government bonds and treasury bills repo sales	2.694.210.000	2.520.560.000
Share sales	590.596.583	192.562.730
Private sector bond sales	167.030.027	7.713.240
Finance bond sales	-	96.783
Eurobond sales	1.402.599.775	1.057.906.255
Investment Fund Sales	100.060	-
Brokerage warrant sales	1.200	-
Total revenue	5.981.705.323	4.130.068.219
Services		
Share transactions brokerage commissions	431.022.169	190.869.852
Interest income from customers	132.846.009	28.290.347
Public offering, issuance commissions and consultancy income	44.114.679	61.109.276
Commission on common stock trading	349.315	189.418
Repo-reverse repo brokerage commissions	860.099	1.875.035
Takasbank Money Market brokerage commissions	781.320	921.490
Futures and options market transaction brokerage commissions	20.574.322	18.900.061
Securities Lending Market and other commission income	1.683.374	915.901
Leveraged income	3.233.695	4.881.141
Fund sales and distribution commissions	6.137.504	2.306.849
Portfolio management and consultancy service income	5.371.619	3.143.677
Bank transfer instrument income on condition of electronic product note	1.079.445	807.354
Crowdfunding platform and venture capital advisory income	7.500	-
Total service income	648.061.050	314.210.401
Total sales income	6.629.766.373	4.444.278.620
Cost of sales		
Government bond purchases	(1.118.857.583)	(350.487.087)
Government bond repo purchases	(2.694.210.000)	(2.520.560.000)
Share purchases	(562.855.318)	(183.613.112)
Private sector bond purchases	(166.340.155)	(7.607.807)
Financing bills purchases	-	(96.735)
Eurobond purchases	(1.383.483.732)	(1.049.968.694)
Brokerage warrant purchases	(2.300)	-
Investment fund purchases	(99.744)	-
Total cost of sales	(5.925.848.832)	(4.112.333.435)
Gross profit from trade activity	703.917.541	331.945.185
Finance Sector Operating Revenue		
Loss from Financial Derivative Transactions	(11.315.150)	(3.786.344)
Total finance sector operations costs	(11.315.150)	(3.786.344)
Gross profit	692.602.391	328.158.841

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General administrative and marketing expenses

General administrative expenses for the years ended 31 December 2022 and 31 December 2021 are as follows:

<i>General administrative income</i>	1 January – 31 December 2022	1 January – 31 December 2021
Personnel expenses	82.082.531	43.745.712
-Personnel salaries and bonuses	42.032.414	24.962.572
-Personnel insurance and premium expenses	10.926.993	6.763.296
-Personnel dividend premium provision	13.149.875	4.183.330
-Personnel employment termination expenses	6.115.359	2.578.295
-Personnel food expenses	2.888.908	1.122.985
-Other personnel expenses	6.968.982	4.135.234
Data display and distribution expenses	7.672.306	4.365.712
Rent expenses	1.287.170	1.453.958
Depreciation expenses and amortization	10.881.615	7.277.414
Outsourced benefits and services	14.125.532	7.450.298
Communication expenses	4.268.055	3.074.478
Taxes and fees	4.882.664	2.685.977
Service and travel expenses	2.559.384	823.896
Common expense share	2.613.474	1.191.439
Audit and consultancy expenses	1.655.373	1.089.574
Vehicle rent and fuel expenses	1.269.861	689.232
Maintenance expenses	3.129.684	2.018.933
Representation and entertainment expenses	451.437	164.595
Other	3.836.694	1.268.882
Total	140.715.780	77.300.100

Marketing expenses for the years ended 31 December 2022 and 31 December 2021 are as follows:

<i>Marketing expenses</i>	1 January– 31 December 2022	1 January– 31 December 2021
Stock exchange expenses	33.610.866	18.270.309
Data display and distribution expenses	19.392.330	16.959.487
Financing bill issuance expenses	918.670	-
Exchange and custody expenses	10.471.071	5.625.865
Commission, premium and service expenses	773.548	2.583.461
Advertisement, publication and rent expenses	7.964.306	7.674.999
Stock exchange and union fees	832.420	498.152
Stock exchange remote access expense	1.610.521	1.028.629
Sponsorship expenses	8.724.000	4.787.920
Other	707.082	911.200
Total	85.004.814	58.340.022

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20 Expenses by nature

The Company has classified the expenses in the accompanying financial statements on the basis of function. Depreciation expenses and amortization amounts incurred during the period amount to TL 10,881,615 in the year ended 31 December 2022 (31 December 2021: TL 7,277,414). In the year ended 31 December 2022, the provision for severance pay expense is TL 4,955,427, the provision for unused vacation expense is TL 2,864,206 TL (31 December 2021: TL 1,577,980 provision for severance pay expense, TL 777,321 provision for unused vacation expense).

21 Other income and expenses from operating activities

Other income and expenses from operation activities for the years ended 31 December 2022 and 31 December 2021 are as follows:

<i>Other operating income</i>	1 January – 31 December 2022	1 January – 31 December 2021
Associate Earnings	-	2.904.372
Other service income ⁽¹⁾	2.159.468	1.676.130
Dividend income ⁽²⁾	1.471.582	211.526
Reversal of personnel premium	-	258.323
SSI refund premiums and other income ⁽³⁾	168.262	600
Provisions released ⁽⁴⁾	1.000.000	20.784
Total	4.799.312	5.071.735

⁽¹⁾ It comprises remittance commissions received from customers, support services provided, collections from lawsuits and other income.

⁽²⁾ It comprises dividend income on corporate portfolio.

⁽³⁾ The amount of TL 168,262 is received as grant from treasury for SSI payments. (31 December 2021: TL 600).

⁽⁴⁾ It comprises reversal income for provisions for lawsuits in prior periods.

<i>Other operating expenses</i>	1 January – 31 December 2022	1 January – 31 December 2021
Provision for legal cases expense	2.611.531	144.951
Other expenses and losses ⁽¹⁾	453.905	13.744.704
Total	3.065.436	13.889.655

⁽¹⁾ Provision expense for unsecured debt balances of customers, refunds to customers due to faulty transactions, administrative fines and other expenses.

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22

Finance income and finance expenses

As of 31 December 2022 and 31 December 2021, the details of finance income and expenses are as follows:

<i>Finance income</i>	1 January – 31 December 2022	1 January – 31 December 2021
Deposit interest income	118.188.245	39.131.763
Reverse repo interest income	113.261.906	104.993.362
Fixed income securities depreciation, coupon rate and discount income	17.366.930	8.331.931
Futures and options market and other collateral interest income	7.920.753	6.379.229
Takasbank money market interest income	2.322.808	1.938.364
Exchange differences income	18.445.933	25.892.512
Stock valuation differences	982.279	-
Investment fund valuation differences	1.741.603	-
Other	1.826.195	520.532
Total	282.056.652	187.187.693

<i>Finance expenses</i>	1 January – 31 December 2022	1 January – 31 December 2021
TPP borrowing and loan interest expenses	63.960.979	-
Financial bond interest expenses	14.800.323	-
Repo interest expenses	91.440.515	84.548.620
Exchange differences expenses	9.352.446	16.654.890
Stock valuation differences	-	1.038.240
Letter of guarantee commissions	3.630.339	116.912
Other	1.828	360
Total	183.186.430	102.359.022

23

Fees for services received from an independent audit firm

The fees for the services received by the Company from the Independent Audit Firm (BDK) in the periods of 1 January - 31 December 2022 and 1 January - 31 December 2021 are as follows:

	1 January-31 December 2022			1 January-31 December 2021		
	IAF	Other IAF	Total	IAF	Other IAF	Total
Independent audit fee for the reporting period	467.000	-	467.000	321.000	-	321.000
Fees for services other than independent audit	-	-	-	74.500	-	74.500
	467.000	-	467.000	395.500	-	395.500

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24 Nature and level of risks arising from financial instruments

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

24.1 Credit risk

The Company conducts brokerage services on behalf of corporate and individual investors and provides advisory services. The Company also makes trading of various marketable securities. The Company may be exposed to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Company. In order to control or mitigate such risks, the Company wants its customers to hold cash or cash equivalents in their accounts. Credit risk monitoring is carried out by monitoring the liquidity and value of collaterals (such as stocks) over daily loan balances, by limiting daily the risks of counterparty and monitoring the adequacy of collateral received for the credit. The Company sells trust collaterals if counterparty fails to keep its credit margin which has determined before.

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

24 Nature and level of risks arising from financial instruments (cont'd)

24.1 Credit risk(cont'd)

Credit risks exposed by types of financial instruments:

31 December 2022	Receivables			Deposits at bank ⁽¹⁾	Financial investments ⁽²⁾
	Trade receivables		Other receivables		
	Related party	Other	Other		
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	138.414	1.080.791.380	134.458.324	2.223.411.130	270.244.170
- Secured portion of the maximum credit risk by guarantees, etc.	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	138.414	1.067.468.979	134.458.324	2.223.411.130	270.244.170
B. Net book value of financial assets with renegotiated terms that will be considered as past due or not impaired otherwise	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-	-
- Secured portion by guarantees, etc.	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-
- Past due (gross amount)	-	13.322.401	-	-	-
- Impairment (-)	-	(13.322.401)	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
E. Off-balance sheet items that include credit risk	-	-	-	-	-

(1) Receivables from reverse repo transactions amounting to TL 31,731,215 stated under cash and cash equivalents are included.

(2) Long-term financial investments are not included. Equity shares are not included in financial investments since they do not carry credit risk.

31 December 2021	Receivables			Deposits at bank ⁽¹⁾	Financial investments ⁽²⁾
	Trade receivables		Other receivables		
	Related party	Other	Other		
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	388.490	387.044.044	35.974.233	318.368.157	8.903.459
- Secured portion of the maximum credit risk by guarantees, etc.	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	388.490	373.429.414	35.974.233	318.368.157	8.903.459
B. Net book value of financial assets with renegotiated terms that will be considered as past due or not impaired otherwise	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-	-
- Secured portion by guarantees, etc.	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-
- Past due (gross amount)	-	13.614.630	-	-	-
- Impairment (-)	-	(13.614.630)	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
E. Off-balance sheet items that include credit risk	-	-	-	-	-

(1) Receivables from reverse repo transactions amounting to TL 1,217,667 stated under cash and cash equivalents are included.

(2) Long-term financial investments are not included. Equity shares are not included in financial investments since they do not carry credit risk.

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

24 Nature and level of risks arising from financial instruments (*cont'd*)

24.2 Liquidity risk

As of 31 December 2022, the profile of financial liabilities according to their remaining maturities is as follows:

Contractual maturities	Carrying value	Total contractual cash outflows	Less than 3 months	3 to 12 months	1 to 5 years
Non-derivative financial liabilities	2.934.048.486	2.969.158.481	2.963.285.683	4.243.260	1.629.538
Trade payables	660.770.901	660.770.901	660.770.901	-	-
Financial borrowings	2.240.691.908	2.264.925.616	2.264.925.616	-	-
Other payables	25.772.757	35.729.780	35.729.780	-	-
Payables from lease transactions	6.812.920	7.732.184	1.859.386	4.243.260	1.629.538

As of 31 December 2021, the profile of financial liabilities according to their remaining maturities is as follows:

Contractual maturities	Carrying value	Total contractual cash outflows	Less than 3 months	3 to 12 months	1 to 5 years
Non-derivative financial liabilities	333.905.401	335.482.119	327.479.103	3.891.825	4.111.191
Trade payables	307.236.461	307.236.461	307.236.461	-	-
Other payables	18.704.588	18.704.588	18.704.588	-	-
Payables from lease transactions	7.964.352	9.541.070	1.538.054	3.891.825	4.111.191

As at 31 December 2022 and 31 December 2021, the liquidity requirement of the Company in accordance with Communiqué 34 is as follows:

	31 December 2022	31 December 2021
Current assets (A)	3.694.604.380	757.870.277
Short-term payables (B)	3.016.760.096	361.792.141
Current assets/Short-term payables (A/B)	1,22	2,09

The Company is not exposed to liquidity risk since its current assets exceed its current liabilities.

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Notes to the Financial Statements for the Year Ended 31 December 2022

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

24 Nature and level of risks arising from financial instruments (*cont'd*)

24.3 Market risk

Foreign currency risk

The assets denominated in foreign currency of the Company expose to foreign currency risk, due to changes between currency rate at transaction date and at end of the reporting date, while translating the assets denominated in foreign currency. As of 31 December 2022 and 31 December 2021, the Company's foreign currency position is as follows:

	31 December 2022			
	TL equivalent (Functional currency)	US Dollar	Euro	Other
1. Trade receivables	22.953.911	1.131.979	68.039	19.186
2a. Monetary financial assets (including cash, bank deposit accounts)	24.796.284	1.291.223	8.824	21.197
3. Other	-	-	-	-
4. Current assets (1+2+3)	47.750.195	2.423.202	76.863	40.383
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)	47.750.195	2.423.202	76.863	40.383
10. Trade payables	109.092	422	-	4.500
11. Financial liabilities	-	-	-	-
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	109.092	422	-	4.500
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	109.092	422	-	4.500
19. Net asset/(liability) position of off balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Amount of active foreign derivative currency off-balance sheet	-	-	-	-
19b. Amount of passive foreign derivative currency off-balance sheet	-	-	-	-
20. Net foreign currency assets/(liabilities) position (9-18+19)	47.641.103	2.422.780	76.863	35.883
21. Monetary items net foreign currency asset/(liability) position (ffrs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a))	47.641.103	2.422.780	76.863	35.883
22. Fair value of financial instruments used for currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-

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

24 Nature and level of risks arising from financial instruments (cont'd)

24.3 Market risk (cont'd)

Foreign currency risk (cont'd)

	31 December 2021			
	TL equivalent (Functional currency)	US Dollar	Euro	Other
1. Trade receivables	13.149.578	986.539	-	-
2a. Monetary financial assets (including cash, bank deposit accounts)	9.589.949	719.480	-	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	22.739.527	1.706.019	-	-
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)	22.739.527	1.706.019	-	-
10. Trade payables	5.398	405	-	-
11. Financial liabilities	-	-	-	-
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	5.398	405	-	-
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	5.398	405	-	-
19. Net asset/(liability) position of off balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Amount of active foreign derivative currency off- balance sheet	-	-	-	-
19b. Amount of passive foreign derivative currency off- balance	-	-	-	-
20. Net foreign currency assets/(liabilities) position (9- 18+19)	22.734.129	1.705.614	-	-
21. Monetary items net foreign currency asset/(liability) position (frs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)	22.734.129	1.705.614	-	-
22. Fair value of financial instruments used for currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-

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24 Nature and level of risks arising from financial instruments (*cont'd*)

24.3 Market risk (*cont'd*)

Sensitivity to foreign currency

The Company is exposed to foreign currency risk denominated mainly in Euro, US Dollar and other currencies.

The sensitivity of the Company to 20% increase and decrease of Euro, US Dollar and other currencies presented below. This rate of 20% is the rate that is used in reporting of the Company's currency risk to key management and represents possible change in foreign currency rates that is expected by the management. Sensitivity analysis includes only foreign currency monetary items and represents the effect of change of 20% currency rate at the end of period. Positive value represents increase in profit/loss and other equity items.

31 December 2022		
	Foreign currency appreciation	Foreign currency depreciation
<u>Change in US Dollar by 20% against TL:</u>		
1- US Dollar net asset/liability	9.060.373	(9.060.373)
2- Hedged risk (US Dollar) (-)	-	-
3- US Dollar net effect (1+2)	9.060.373	(9.060.373)
<u>Change in Euro by 20% against TL:</u>		
4- Euro net asset / liability	306.451	(306.451)
5- Hedged risk (Euro) (-)	-	-
6- Euro net effect (4+5)	306.451	(306.451)
<u>Change in other currencies by 20% against TL:</u>		
7- Other net asset / liability	161.397	(161.397)
8- Hedged risk (Other) (-)	-	-
9- Other net effect (7+8)	161.397	(161.397)
Total (3+6+9)	9.528.221	(9.528.221)
31 December 2021		
	Foreign currency appreciation	Foreign currency depreciation
<u>Change in US Dollar by 20% against TL:</u>		
1- US Dollar net asset/liability	4.546.826	(4.546.826)
2- Hedged risk (US Dollar) (-)	-	-
3- US Dollar net effect (1+2)	4.546.826	(4.546.826)
<u>Change in Euro by 20% against TL:</u>		
4- Euro net asset / liability	-	-
5- Hedged risk (Euro) (-)	-	-
6- Euro net effect (4+5)	-	-
<u>Change in other currencies by 20% against TL:</u>		
7- Other net asset / liability	-	-
8- Hedged risk (Other) (-)	-	-
9- Other net effect (7+8)	-	-
Total (3+6+9)	4.546.826	(4.546.826)

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24 Nature and level of risks arising from financial instruments (cont'd)

24.3 Market risk (cont'd)

Price risk

Share price risk is the market value decrease risk of shares due to the change in the share index levels and relevant equity shares.

As at 31 December 2022 and 31 December 2021, in case of having a 20% decrease/increase in Borsa İstanbul stock market index while having all other variables constant, the effects on profit or loss and comprehensive income would be as follows:

31 December 2022	Profit / (loss)		Equity ^(*)	
	Increase by 20%	Decrease by 20%	Increase by 20%	Decrease by 20%
<i>Financial assets at fair value through profit or loss</i>				
- Stock shares	-	-	-	-
<i>Financial assets at fair value through other comprehensive income</i>				
- Stock shares	-	-	776.113	(776.113)
Total	-	-	776.113	(776.113)

(*) Profit / (loss) change is included.

31 December 2021	Profit / (loss)		Equity ^(*)	
	Increase by 20%	Decrease by 20%	Increase by 20%	Decrease by 20%
<i>Financial assets at fair value through profit or loss</i>				
- Stock shares	4.309.336	(4.309.336)	4.309.336	(4.309.336)
<i>Financial assets at fair value through other comprehensive income</i>				
- Stock shares	-	-	179.366	(179.366)
Total	4.309.336	(4.309.336)	4.488.702	(4.488.702)

(*) Profit / (loss) change is included.

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24 Nature and level of risks arising from financial instruments (*cont'd*)

24.3 Market risk (*cont'd*)

Interest rate risk

The Company allocates cash and cash equivalents it possesses in marketable securities or bank deposits, depending on the market conditions.

		31 December 2022	31 December 2021
Financial instruments with fixed interest			
Financial assets	Financial assets at fair value through profit or loss	1.851.866	920.761
	Time deposits at banks	2.020.004.348	227.051.694
Trade receivables	Receivables from reverse repo agreements	31.731.215	1.217.667
	Receivables from credit customers	712.340.476	160.264.767
Financial instruments with floating interest			
Financial assets	Financial assets at fair value through profit or loss	116.650.448	7.982.698

Interest risk position table

Stocks are not included in financial investments.

The Company's debt securities classified as financial assets at fair value through profit/loss, are exposed to price risk depending upon interest rate changes in the market. As of 31 December 2022, according to the Company's analysis, in case of 1% interest rate increase or decrease in TL interest rates, on the assumption that all other variables remain constant, the effect of debt securities on the fair value, net profit/loss before tax and shareholders' equity is presented in the table below. Sensitivity analysis was applied for 2021 on the same basis.

	Profit / (loss)		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2022				
Financial investments	(1.641.579)	1.698.751	(1.641.579)	1.698.751
31 December 2021				
Financial investments	(2.112.427)	2.214.583	(2.112.427)	2.214.583

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24 Nature and level of risks arising from financial instruments (*cont'd*)

24.4 Capital management

As of 31 December 2022 and 31 December 2021, the minimum liability for shareholders' equity that the Company should possess shall be TL 31,331,603 since the Company is defined as "Entity with Broad Authority" in the scope of the Communiqué 34.

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

a) Non-current assets;

1) Property, plant and equipment (net),

2) Intangible assets (net),

3) Non-current financial assets (not publicly traded) less any impairment and capital commitments,

4) Other non-current assets,

b) Unsecured receivables from personnel, shareholders, associates, subsidiaries and direct or indirect related parties, even if these are customers, and capital market instruments issued by above mentioned entities which are not publicly traded.

The Company's capital base is TL 681,042,556 as of 31 December 2022 (31 December 2021: TL 395,291,651). The base of adequacy cannot be less than the items stated below.

a) Minimum capital corresponding the license obtained,

b) Risk provision,

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

As of 31 December 2022, the capital adequacy base of the Company is higher than the abovementioned items.

Risk provision

The Company calculates risk provision both on and off-balance sheet items in accordance with the Communiqué Serial V, No: 34. Risk provision is the sum of position risk, counter-party risk, concentration risk and foreign exchange risk calculated as per Communiqué Serial V, No: 34.

As of 31 December 2022 and 31 December 2021, the risk provision amounts calculated in accordance with the Communiqué: V, No: 34 are as follows:

	31 December 2022	31 December 2021
Position risk	176.628.544	30.599.115
Counter party risk	142.990.662	44.151.205
Currency risk	2.749.120	-
Total risk provision	322.368.326	74.750.320

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25

Financial instruments

Fair value disclosures

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

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

Classification of fair value measurement

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

Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices

Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions

Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

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

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

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short-term)	270.244.170	-	-	270.244.170
Financial investments (long-term) (*)	3.880.564	1.517.254	-	5.397.818
(*) Stock investments amounting to TL 50,000 that are recognized at cost value are not included				
31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short-term)	30.450.138	-	-	30.450.138
Financial investments (long-term) (*)	896.830	1.517.254	-	2.414.084

(*) Stock investments amounting to TL 12,500 that are recognized at cost value are not included.

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25 Financial instruments (*cont'd*)

Fair value disclosures (cont'd)

Classification of fair value measurement (cont'd)

Since Halk Gayrimenkul Yatırım Ortaklığı A.Ş. is publicly traded company, the fair value is determined over the market price and represented as Level 1 in the table above.

As of 31 December 2022 and 31 December 2021, the Company's Borsa İstanbul associate rate is 0.377%. The Company holds 159,711 shares with nominal value of TL 15,971,094. In the current period, the relevant shares are valued with price per share that is determined in the 15 January 2018 dated and 2018/6 numbered meeting of Borsa İstanbul, and the valuation effect is recognized under equity in financial statements.

26 Other matters

On 15 October 2019, U.S. Department of Justice, United States Attorney Southern District of New York indicted the Parent Bank by repeating the allegations set forth in the case filed against the former executive of the Parent Bank due to Iranian sanction violations.

First, the Parent Bank applied to the District Court on 4 November 2019 and requested a special appearance to discuss the issues of personal jurisdiction and recusal. On 5 December 2019, the District Court denied the request of special appearance. The Parent Bank objected to the District Court's decision and appealed the decision at the Court of Appeals Second Circuit on 17 December 2019. On 21 February 2020, the Second Circuit denied the Parent Bank's objection.

In the meeting held by the Parent Bank's Board of Directors on 27 March 2021, it was decided to attend the District Court hearing on 31 March 2021, to accept the arraignment and to appoint Williams & Connolly law firm with a proxy to represent the Parent Bank.

At the hearing on 31 March 2020, the District Court decided to postpone the hearing initially to 9 June 2020 and subsequently to 30 June 2020 due to the global scale COVID-19 outbreak.

At the hearing held in the District Court on 30 June 2020; the schedule regarding the motion to recuse, discovery motions, and filings of other motions were identified. It was decided that the jury hearing would begin on 1 March 2022 for which the schedule was revised on 26 October 2020. Accordingly, the jury hearings are scheduled to be held on 3 May 2021. In this regard, the Parent Bank filed its recusal motion on 14 July 2020 and its other motions to dismiss the indictment on 10 August 2020 at the District Court.

The Parent Bank's recusal motion was denied by the District Court on 24 August 2020 and by the Court of Appeals Second Circuit on 23 December 2020.

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Notes to the Financial Statements for the Year Ended 31 December 2022

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

26 Other matters (*cont'd*)

The Parent Bank's request to drop the indictment was rejected by the District Court on 1 October 2020. The Parent Bank appealed to the Court of Appeals for Foreign State Immunity (to be exempt from the jurisdiction of the US courts) within the scope of the request for the dismissal of the indictment. The Second Court of Appeal accepted the Parent Bank's appeal on 23 December 2020 to discuss the merits, and at the same time, decided to stop the District Court process. An oral hearing was held before the Second Court of Appeal on 12 April 2021, and the Court rejected the Parent Bank's appeal on 22 October 2021. The Parent Bank requested a reevaluation of the decision of the Second Court of Appeals on 5 November 2021. The court rejected this request on 15 December 2021.

Since the Parent Bank will bring its objection regarding Foreign State Immunity to the Supreme Court of the United States, it has requested the Second Appellate Court to stop the case from being sent back to the District Court in this process. This request was accepted by the Second Court of Appeal on 14 January 2022. Legal proceedings in the District Court are suspended pending the end of the US Supreme Court process.

Legal proceedings in the District Court are suspended pending the end of the U.S. Supreme Court process. The Parent Bank submitted its petition of appeal within the scope of Foreign State Immunity to the US Court of Appeals on 13 May 2022. Halkbank's appeal petition was responded to by the Solicitor General, the Office of the Attorney General of the US Department of Justice, on 18 July 2022, and the Parent Bank will submit a petition for a reply on 2 August 2022.

On 28 September 2022, the US Court of Appeals handled the Parent Bank's appeal and published its decision on 3 October 2022 that it accepted the application. Following the acceptance of the appeal, the Parent Bank submitted its appeal on 14 November 2022 to the Court. Following the Parent Bank's appeal, a response petition was submitted by the Attorney General of the US Department of Justice on 14 December 2022. On 6 January 2023, the petition process was completed with the Parent Bank's submission of a reply petition to the Court.

On 17 January 2023, an oral defense hearing took place before the US Supreme Court. In the next period, the Court is expected to give its reasoned decision within the scope of the Parent Bank's FSIA appeal. In the end, if the matter is positive before the US Supreme Court, the case will be dismissed without going to trial. In the event of a negative result, the Court will return the case to the Southern District Court of New York, in which case the District Court will need to establish a new litigation schedule for the proceedings.

In addition, a civil lawsuit was filed against the Parent Bank on 27 March 2020, before the US Southern District Court of New York, on the grounds that "they could not collect their receivables from Iran due to alleged violations of sanctions" by some of the complainants. The related lawsuit was notified to the Parent Bank's lawyers on 1 July 2020. The Parent Bank submitted its petition to the court on 25 September 2020, stating that the case should be dismissed due to the rejection of the complaints of the complainants. The petition process in this context was completed on 16 December 2020. On 16 February 2021, the District Court accepted the objection of the Parent Bank for the incompatibility of the jurisdiction within the scope of the request for dismissal of the case, and rejected the case conditionally, and the case file at the District Court was closed on 3 March 2021.

The complainants submitted their appeal on 30 June 2021, taking the District Court decision to the Second Court of Appeal and on 13 October 2022, an oral defense hearing was held before the Second Appeal. The mutual petition stage has been completed and the appeal process continues before the Second Court of Appeal.

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

26 Other matters (*cont'd*)

The Parent Bank closely monitors the proceedings of both criminal and civil lawsuits through specialized US law firms.

27 Events after the reporting period

On 6 February 2023, due to the negativities caused by the earthquakes centered in Kahramanmaraş province, Pazarcık and Elbistan districts, affecting many of our provinces and devastating our whole country, a state of emergency was declared including 11 provinces in the region. The developments regarding the natural disaster are being closely monitored and studies are continuing to determine the situation.