

**HALK YATIRIM MENKUL DEĞERLER
ANONİM ŞİRKETİ**

FINANCIAL STATEMENTS AS OF
31 DECEMBER 2019 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 2019, and the statement of profit or loss, statement of 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 at 31 December 2019, 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 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, on 15 October 2019, an indictment prepared by the New York Southern District Attorney General of the United States (“US”) Department of Justice for violation of Iranian sanctions and a lawsuit was filed against the Parent Bank in the New York Southern District Court (“District Court”). This case and the Parent Bank’s objections in the District Court and the appeal process in the US Second Circuit Court of Appeals are ongoing. On 31 January 2020, the US Second Circuit Court of Appeals, granted a temporary stay on the New York Southern District Court litigation.

In addition, the appeal process of the case which resulted in conviction for the defendant former executive of the Parent Bank, who was released on 19 July 2019 and returned back to Turkey, is ongoing.

At this stage, the Parent Bank’s Management stated that there were no penalty, sanction or measure arising from the ongoing case against the Parent Bank in the appeal process. There is an uncertainty with respect to any decision by the US authorities that may adversely affect the financial position of the Parent Bank. No provision has been made in the accompanying financial statements related to these matters. 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 data-bbox="177 1070 427 1104">Revenue recognition</p> <p data-bbox="177 1137 742 1339">The Company has revenue amounting to total TL 516,375,318 recognized under “sales income” in its statement of profit or loss and other comprehensive income for the period 1 January – 31 December 2019. The related income is disclosed in Note 2.5.1 and 18.</p> <p data-bbox="177 1373 742 1668">Due to the excessive amount of the line item of sales income 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, real estate sales and consultancy income, the matter is considered as a key audit matter.</p>	<p data-bbox="842 1070 1428 1641">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 sales commissions. In addition, through the sample selected from the transactions realized in the accounting period, these transaction details were tested comparably with the relevant supporting documents in order to confirm that the income amount is recognized properly.</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.

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 2019 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 Mjde Aslan.

DRT BAĐIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Mjde Aslan
Partner

İstanbul, 14 February 2020

CONTENTS

	<u>Page</u>
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
STATEMENT OF CHANGES IN EQUITY	3
STATEMENT OF CASH FLOWS	4
Notes to the Financial Statements	5-55
Note 1 Organization and operations of the Company	
Note 2 Basis of presentation of the financial statements	
Note 3 Cash and cash equivalents	
Note 4 Financial investments	
Note 5 Related party disclosures	
Note 6 Trade receivables and payables	
Note 7 Borrowings	
Note 8 Other non-current assets	
Note 9 Other receivables and payables	
Note 10 Prepaid expenses	
Note 11 Property, plant and equipment	
Note 12 Intangible assets	
Note 13 Right-of-use assets and lease payables	
Note 14 Provisions, contingent assets and liabilities	
Note 15 Provisions for employee benefits	
Note 16 Tax assets and liabilities	
Note 17 Shareholders' equity	
Note 18 Revenue and cost of sales	
Note 19 General administrative and marketing expenses	
Note 20 Expenses by nature	
Note 21 Other income and expenses from operating activities	
Note 22 Finance income and expenses	
Note 23 Nature and level of risks arising from financial instruments	
Note 24 Financial instruments	
Note 25 Non-current assets held for sale	
Note 26 Other matters	
Note 27 Events after the reporting period	

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Statement of Financial Position as at 31 December 2019**

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

	Notes	Audited 31 December 2019	Audited 31 December 2018
ASSETS			
Current Assets			
Cash and cash equivalents	3	147,414,391	108,310,347
Financial investments	4	55,508,661	53,305,009
Trade receivables	5-6	137,280,436	103,332,593
- Trade receivables from related parties	5	494,887	228,767
- Trade receivables from third parties	6	136,785,549	103,103,826
Other receivables	9	20,639,529	17,156,552
Derivative instruments		-	488,733
Prepaid expenses	10	2,022,920	1,624,331
Current tax assets	16	-	10,857,985
TOTAL CURRENT ASSETS		362,865,937	295,075,550
NON-CURRENT ASSETS HELD FOR SALE			
	25	-	9,624,573
Non-current assets			
Financial investments	4	4,895,789	3,502,740
Property, plant and equipment	11	3,343,140	2,271,687
Intangible assets	12	1,076,426	870,562
Other non-current assets	8	2,743,393	2,156,017
Right-of-use assets	13	3,955,105	-
TOTAL NON-CURRENT ASSETS		16,013,853	8,801,006
TOTAL ASSETS		378,879,790	313,501,129
LIABILITIES			
Current liabilities			
Financial liabilities	7	-	52,355,826
Trade payables	5-6	124,137,054	60,603,259
- Trade payables to related parties	5	1,258,685	964,732
- Trade payables to third parties	6	122,878,369	59,638,527
Other payables	9	10,362,761	6,769,843
Current tax liabilities	16	2,792,404	-
Short-term provisions		4,160,203	3,528,008
- Short-term provisions for employee benefits	15	3,368,187	2,736,112
- Other short-term provisions	14	792,016	791,896
Obligations under financial leases	13	4,201,668	-
Short-term provisions		145,654,090	123,256,936
Non-current liabilities			
Long-term provisions		2,530,486	1,920,566
- Long term provisions for employee benefits	15	2,530,486	1,920,566
Deferred tax liability	16	518,702	748,895
TOTAL NON-CURRENT LIABILITIES		3,049,188	2,669,461
EQUITY			
Equity attributable to the parent			
Share capital	17	104,000,000	104,000,000
Restricted reserves appropriated from profit		23,453,751	15,921,709
Accumulated other comprehensive income that will be reclassified subsequently to profit or loss		2,804,694	1,424,145
-Gain on revaluation and remeasurement		3,610,547	2,229,998
-Other gains		(805,853)	(805,853)
Retained earnings		8,933,823	6,141,008
Profit for the period		90,984,244	60,087,870
TOTAL EQUITY		230,176,512	187,574,732
TOTAL LIABILITIES AND EQUITY		378,879,790	313,501,129

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 2019

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

	Notes	Audited 1 January - 31 December 2019	Audited 1 January - 31 December 2018
PROFIT OR LOSS			
Revenue	18	516,375,318	1,641,079,919
Cost of sales	18	(407,371,324)	(1,534,478,013)
		109,003,994	106,601,906
GROSS PROFIT			
General administrative expenses	19	(42,292,595)	(33,789,433)
Marketing expenses	19	(15,311,141)	(12,395,435)
Other income from operating activities	21	4,662,463	1,365,096
Other expenses from operating activities	21	(329,464)	(1,432,471)
		55,733,257	60,349,663
OPERATING INCOME			
Share of profit/(loss) of investments accounted for using the equity method		-	2,475,334
		55,733,257	62,824,997
OPERATING INCOME BEFORE FINANCE EXPENSE			
Financial income	22	143,739,264	147,334,057
Financial expense	22	(89,725,759)	(133,878,029)
		109,746,762	76,281,025
PROFIT BEFORE TAX			
Tax expense/income			
- Current tax expense	16	(18,992,711)	(16,837,361)
- Deferred tax income / (expense)	16	230,193	644,206
		90,984,244	60,087,870
PROFIT/LOSS FOR THE PERIOD FROM CONTINUING ACTIVITIES			
		90,984,244	60,087,870
PROFIT FOR THE PERIOD			
		1,380,549	305,980
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Gain on revaluation and remeasurement		1,380,549	305,980
		92,364,793	60,393,850
TOTAL COMPREHENSIVE INCOME			

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 2019
(Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

	Notes	Share capital	Accumulated other comprehensive income that will be reclassified subsequently to profit or loss	Accumulated other comprehensive income that will not be reclassified subsequently to profit or loss	Restricted reserves appropriated from profit	Retained earnings	Equity	
			Gain on revaluation and remeasurement	Other gains/losses		Prior years' profits / (losses)	Profit/(loss) for the period	
Balances as of 1 January 2018		82,000,000	1,924,018	(805,853)	12,135,929	3,462,787	32,564,001	131,280,882
Transfers		-	(1,924,018)	1,924,018	4,375,838	28,188,163	(32,564,001)	-
Profit for the period		-	-	-	-	-	60,087,870	60,087,870
Other comprehensive income		-	-	305,980	-	-	-	305,980
<i>Gain on revaluation and remeasurement</i>		-	-	-	-	-	-	-
Total comprehensive income		-	-	305,980	-	-	60,087,870	60,393,850
Dividend payment		-	-	-	-	(4,100,000)	-	(4,100,000)
Capital increase		22,000,000	-	-	(590,058)	(21,409,942)	-	-
Balances as of 31 December 2018		104,000,000	-	1,424,145	15,921,709	6,141,008	60,087,870	187,574,732
Balances as of 1 January 2019		104,000,000	-	1,424,145	15,921,709	6,141,008	60,087,870	187,574,732
Transfers		-	-	-	7,532,042	52,555,828	(60,087,870)	-
Profit for the period		-	-	-	-	-	90,984,244	90,984,244
Other comprehensive income		-	-	1,380,549	-	-	-	1,380,549
<i>Gain on revaluation and remeasurement</i>		-	-	<i>1,380,549</i>	-	-	-	<i>1,380,549</i>
Total comprehensive income		-	-	1,380,549	-	-	90,984,244	92,364,793
Dividend payment	17	-	-	-	-	(49,763,013)	-	(49,763,013)
Balances as of 31 December 2019		104,000,000	-	2,804,694	23,453,751	8,933,823	90,984,244	230,176,512

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 2019**

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

		Audited 1 January- 31 December 2019	Audited 1 January- 31 December 2018
A. Cash flows from operating activities		187,716,439	104,447,045
Profit for the period		90,984,244	60,087,870
<u>Adjustments to reconcile profit for the period:</u>			
Adjustments related to depreciation and amortization expenses	11-12-13	3,534,879	1,264,382
Adjustments related to provisions		3,507,267	2,980,930
-Adjustments related to provision for doubtful receivable expense	6	(77,837)	406,550
-Adjustments related to provision for retirement pay expense	15	823,792	641,891
-Adjustments related to provision for unused vacation expense	15	411,192	226,491
-Adjustments related to provision for personnel dividend premium	15	2,350,000	1,821,592
-Adjustments related to provision for payables expense	14	120	(115,594)
Adjustments related to tax expense/income		18,762,518	16,193,155
-Adjustments related to current tax expense	16	18,992,711	16,837,361
-Adjustments related to deferred tax income/(expense)	16	(230,193)	(644,206)
Adjustments related to interest income and expenses		(13,653,249)	25,824,141
-Adjustments related to interest income	22	(93,083,852)	(90,376,659)
-Adjustments related to interest expenses	22	79,430,603	116,200,800
Appreciation in investments accounted for using equity method		-	(2,487,835)
Adjustments Related to Fair Value Losses (Gains)		488,733	90,428
-Adjustments Related to Fair Value Losses (Gains) of Derivative Financial Instruments		488,733	90,428
Other adjustments related to profit/loss reconciliation		(415,272)	(3,197)
-Dividend income from associates		(415,272)	(3,197)
Changes in working capital			
Adjustments related to increase/decrease in trade receivables		(33,870,006)	(2,426,260)
Adjustments related to increase/decrease in trade payables		63,533,795	(18,088,595)
Increase/decrease in financial investments (short-term financial investments)		(2,203,652)	(30,579,765)
Adjustments related to other increase/decrease in working capital		(50,046,553)	(20,093,585)
Adjustments related to increase/decrease in obligations under finance leases		246,563	-
Cash flows from operating activities			
Interests received		92,574,582	98,700,294
Dividends received		415,272	228,198
Tax (payments)/returns	16	16,200,307	(24,853,905)
Personnel premium paid	15	(2,109,880)	(1,653,599)
Employment termination benefit paid	15	(213,872)	(220,833)
Unused vacation provision paid	15	(19,237)	(514,779)
B. Cash flows from investing activities		11,757,662	(2,303,756)
Increase/decrease in financial investments (long-term financial investments)		1,393,049	(293,479)
Cash inflow from disposal of subsidiary		13,125,000	-
Payments for acquisition of property, plant and equipment	11	(2,078,544)	(1,117,986)
Payments for acquisition of intangible assets	12	(681,843)	(892,291)
C. Cash flows from financing activities		(181,161,389)	(722,045,761)
Cash outflows from repayments of borrowings		(52,355,826)	(610,702,981)
Interest paid		(79,042,550)	(107,242,780)
Dividends paid	17	(49,763,013)	(4,100,000)
Net decrease in cash and cash equivalents before the effect of currency translation differences (A+B+C)		18,312,712	(619,902,472)
D. Effects of currency translation differences on cash and cash equivalents		389,605	(1,027,545)
Net decrease in cash and cash equivalents (A+B+C+D)		18,702,317	(620,930,017)
E. Cash and cash equivalents at the beginning of the period	3	94,005,575	714,935,592
Cash and cash equivalents at the end of the period (A+B+C+D+E)	3	112,707,892	94,005,575

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 2019

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

1 Organisation and operations of the Company

Halk Yatırım Menkul Değerler AŞ (“the Company”) was established on 2 September 1997. The purpose of the Company is to perform capital market activities in accordance with its Article of Association and Capital Markets Law 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 7 branches (31 December 2018: 9). Each branches 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 Halide Edip Adıvar Mah. Darülaceze Cad. No: 20 Şişli / İstanbul.

As at 31 December 2019, the Company has 134 employees (31 December 2018: 128).

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

	31 December 2019	31 December 2018
T. Halk Bankası A.Ş.	99.96%	99.96%
Other	0.04%	0.04%
Total	100.00%	100.00%

Approval of the Financial Statements:

Board of Directors approved the financial statements and delegated authority for publishing it on 14 February 2020.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

(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 disclosures have been prepared in accordance with the resolution of CMB dated 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. A historical cost is a measure of value used in accounting in which the price of an asset on the balance sheet is based on its nominal or original cost when acquired by the Company.

Currency Used

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

Preparation of financial statements in hyperinflationary periods

With the decision no 11/367 taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with TAS. Accordingly, the Company did not apply TAS 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") in its financial statements for the accounting periods starting 1 January 2005.

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.

The Company's associate (Halk Portföy Yönetimi A.Ş.), consolidated with equity method, was classified as asset held for sale in the financial statements dated 31 December 2019 and sold on 31 January 2019. Therefore, it has not been consolidated in the financial statements of 31 December 2019.

Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period financial statements are restated. In the current year, the Company has made a number of changes in accounting policies due to the effects of changes in standards.

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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

(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 (cont'd)

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 as of 2019

TFRS 16	<i>Leases</i>
TFRS Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to TAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Amendments to TAS 19	<i>Amendments to Employee Benefits</i>
<i>Annual Improvements to TFRS Standards 2015–2017 Cycle</i>	<i>Amendments to TFRS 3, TFRS 11, TAS 12 and TAS 23</i>

TFRS 16 Leases

General impact of application of TFRS 16 Leases

TFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. TFRS 16 supersedes the current lease guidance including TAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019. The date of initial application of TFRS 16 for the Company is 1 January 2019 retrospectively taking into account the cumulative effect in the financial statements.

In contrast to lessee accounting, TFRS 16 substantially carries forward the lessor accounting requirements in TAS 17.

Impact of the new definition of a lease

The Company made use of the practical expedient available on transition to TFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with TAS 17 and TFRS Interpretation 4 continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. TFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company applied the definition of a lease and related guidance set out in TFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

(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 as of 2019 (*cont'd*)

TFRS 16 Leases (*cont'd*)

Impact on Lessee Accounting

Operating leases

TFRS 16 changes how the Company accounts for leases previously classified as operating leases under TAS 17, which were off-balance sheet.

On initial application of TFRS 16, for all leases (except as noted below), the Company has:

- a) Recognised right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
- c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under TAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under TFRS 16, right-of-use assets are tested for impairment in accordance with TAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company opted to recognise a lease expense on a straight-line basis as permitted by TFRS 16.

As at 1 January 2019, the impact of TFRS 16 on the financial statements of the Company is disclosed in "the Effects of Accounting Policy Amendments" note.

Finance leases

The main differences between TFRS 16 and TAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. TFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by TAS 17.

Impact on Lessor Accounting

Under TFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, TFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under TFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

(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 as of 2019 (*cont'd*)

IFRS Interpretation 23 *Uncertainty over Income Tax Treatments*

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TAS 12.

Amendments to TAS 28 *Long-term Interests in Associates and Joint Ventures*

This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Amendments to TAS 19 *Plan Amendment, Curtailment or Settlement*

The Amendments to TAS 19 *Employee Benefits* address the impact of the changes in defined benefit plans (one of the two benefits provided after employment relationship is ended defined benefit plans and defined contribution plans) to the recognition of the defined benefit plans, and TAS 19 has been amended.

Annual Improvements to IFRS Standards 2015–2017 Cycle

Annual Improvements to IFRS Standards 2015–2017 Cycle include amendments to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* in when a party that participates in, but does not have joint control of, TAS 12 *Income Taxes*; income tax consequences of dividends in profit or loss, and TAS 23 *Borrowing Costs* in capitalized borrowing costs.

Other than IFRS 16, these standards, amendments and improvements have no impact on the financial position and performance of the Company.

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

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

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 3	<i>Definition of a Business</i>
Amendments to TAS 1 and TAS 8	<i>Definition of Material</i>
Amendments to IFRS 9, TAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

(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*)

IFRS 17 Insurance Contracts

IFRS 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. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

Amendments to IFRS 3 Definition of a Business

The definition of “business” is important because the accounting for the acquisition of an activity and asset Company varies depending on whether the Company is a business or only an asset Company. The definition of “business” in IFRS 3 Business Combinations standart has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a Company of assets.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

(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*)

Impact of TFRS 16 on the Company's Financial Statements

In accordance with the adoption of TFRS 16, some changes have occurred in the accounting policies as of 1 January 2019 and adjustments have been made to the financial statements. The new accounting policies applied are explained in this note. In accordance with the transitional provisions of TFRS 16, prior year financial statements have not been restated.

On adoption of TFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of TAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 24.05%.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019.

- Right-of-use assets – increase by TL 3,955,105
- Deferred tax assets – increase by TL 54,244
- Lease liabilities – increase by TL 4,201,668

As of 1 January 2019, there is no net effect on retained earnings/accumulated losses.

In applying TFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- not to re-evaluate the financially disadvantaged rental agreements within the scope of TAS 17 in the prior period
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying TAS 17 and TFRS Interpretation 4.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

2.5. Summary of significant accounting policies

2.5.1. Accounting of revenue and expenses

Sales revenue and financial income

Sales Income

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

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

-Funds lent under reverse 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 treated as interest income and accrued over the life of the reverse repo agreement.

Service Income

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

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

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

Other revenue and expenses are recognised on accrual basis.

2.5.2. 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 2019

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

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

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

2.5.2. 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.
- (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.

2.5.3. *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 production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional 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 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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

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

2.5.3. *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 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

2.5.4. *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.

2.5.5. *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 recognised initially at cost. The financial statements include the Company's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

2.5.6. *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].

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

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

2.5.6. *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 amortised 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 amortised cost or FVTOCI are measured at FVTPL.

Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. 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 recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised 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 recognised in other comprehensive income in financial statements. Interest calculated using the effective interest method is recognised 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 2019

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

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

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

2.5.6. *Financial instruments (cont'd)*

Financial assets measured at amortised cost

A financial asset is measured at amortised 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 amortised 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 amortised 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 recognises 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 2019

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

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

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

2.5.6. *Financial instruments (cont'd)*

Impairment

The Company recognises 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 recognised 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 recognises 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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

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

2.5.6. *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. An entity 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 plus or minus, 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 amortised 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 that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Company recognises any income on the transferred asset and any expense incurred on the financial liability.

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

The Company does not reclassify any financial liability.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

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

2.5.6. *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. Further details of derivative financial instruments are disclosed in note 23.

Derivatives are recognised 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 recognised 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 recognised as a financial asset whereas a derivative with a negative fair value is recognised 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 realised 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 2019

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

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

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

2.5.7. 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 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 2019 and 31 December 2018, exchange rates used by the Company are as follows:

	31 December 2019	31 December 2018
US Dollar ("US Dollar")	5.9402	5.2609
Euro	6.6506	6.0280

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

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

2.5.8. 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.

2.5.9. 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.

2.5.10. 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 2019

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

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

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

2.5.10. Provisions Contingent Assets and Liabilities (*cont'd*)

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation 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.

2.5.11. Segment Reporting

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

2.5.12. 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 2019

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

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

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

2.5.12. 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 reporting 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 in other comprehensive income or directly in equity.

2.5.13. 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.

2.5.14. 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.

2.5.15. 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 2019

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

3 Cash and cash equivalents

Cash and cash equivalents as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Banks	137,244,242	80,329,324
- Time deposit	97,152,042	61,541,772
- Demand deposit	40,092,200	18,787,552
Receivables from reverse repurchase agreements	10,190,027	27,981,023
Expected credit loss provision (-)	(19,878)	-
Cash and cash equivalents represented on statement of financial position	147,414,391	108,310,347
Interest income accruals on cash and cash equivalents	(602,042)	(92,772)
Expected credit loss provision on cash and cash equivalents	19,878	-
Customer assets ⁽¹⁾	(34,124,335)	(14,212,000)
Total cash and cash equivalents on statement of cash flows	112,707,892	94,005,575

⁽¹⁾ TL 34,124,335 (31 December 2018: TL 14,212,000) of bank deposits consists of the demand deposits assets of the Company which has not turned to an investment as of 31 December 2019.

As of 31 December 2019, TL 97,152,042 of time deposits (31 December 2018: TL 61,541,772) and TL 37,907,470 of demand deposits (31 December 2018: TL 17,662,463) is at T. Halk Bankası A.Ş. the main shareholder of the Company.

As of 31 December 2019, the interest rate applied to reverse repo agreements is 11.37% and their maturities are 1 day (31 December 2018: 23.33% with 2-16 days of maturity).

As of 31 December 2019 and 31 December 2018, the details of time deposits of the Company are as follows:

31 December 2019				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
T. Halk Bankası A.Ş.	11.00%-11.75%	1 January 2020-3 March 2020	TL	97,152,042
Total				97,152,042

31 December 2018				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
T. Halk Bankası A.Ş.	23.00%	2 January 2019	TL	8,845,570
T. Halk Bankası A.Ş.	5.50%	21 March 2019	USD	52,696,202
Total				61,541,772

As at 31 December 2019 and 31 December 2018, 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 2019

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

4 Financial investments

Short-term financial investments

As of 31 December 2019 and 31 December 2018, short-term financial investments are as follows:

Financial assets at fair value through profit or loss

	31 December 2019		31 December 2018	
	Nominal value	Carrying value	Nominal value	Carrying value
Equity securities (Note 5)	21,432,345	42,328,882	17,195,003	19,499,133
Private sector bonds	12,535,000	12,602,976	27,090,000	27,362,754
Government bonds	263,729	576,803	6,700,000	6,443,122
Total		55,508,661		53,305,009

Long-term financial investments

As of 31 December 2019 and 31 December 2018, long-term financial investments are as follows:

Financial assets at fair value through other comprehensive income

Share investments	31 December 2019		31 December 2018	
	Nominal value	Carrying value	Nominal value	Carrying value
Borsa İstanbul A.Ş. ⁽¹⁾	1,517,254	0.038	1,517,254	0.038
Halk Faktoring A.Ş.	2,938,800	1.240	1,758,840	1.240
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	427,230	0.038	226,641	0.038
Ziraat Portföy Yönetimi A.Ş. ⁽²⁾	12,500	0.001	-	0.000
Halk Finansal Kiralama A.Ş. ⁽²⁾	5	0.000	5	0.000
Total	4,895,789		3,502,740	

⁽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 2019

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

5 Related party disclosures

Receivables from related parties and payables to related parties

Assets from related parties and liabilities to related parties as of 31 December 2019 and 31 December 2018 are as follows:

Halk Portföy Yönetimi A.Ş. was transferred to Ziraat Portföy Yönetimi A.Ş. as of 2019.

	31 December 2019	31 December 2018
Cash and cash equivalents		
T. Halk Bankası A.Ş.	135,059,513	79,204,235
-Time deposit	97,152,042	61,541,772
-Demand deposit	37,907,470	17,662,463
Financial investments		
Halk Sigorta A.Ş.	42,328,882	19,499,133
-Stock shares	42,328,882	19,499,133
Halk Faktoring A.Ş.	2,938,800	1,758,840
-Stock shares	2,938,800	1,758,840
T.Halk Bankası A.Ş.	702,130	-
-Commercial paper	702,130	-
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	427,230	226,641
-Stock shares	427,230	226,641
Halk Finansal Kiralama A.Ş.	5	5
-Stock shares	5	5
Total	181,456,560	100,688,854
	31 December 2019	31 December 2018
Trade receivables from related parties		
T.Halk Bankası A.Ş.	460,032	23,600
Halk Portföy Yönetimi A.Ş. Fonları	-	14,661
Halk Portföy Yönetimi A.Ş.	-	19,353
Halk Sigorta A.Ş.	288	5,900
Halk Hayat ve Emeklilik A.Ş.	34,567	21,529
Halk Bank AD Skopje	-	143,724
Total	494,887	228,767
	31 December 2019	31 December 2018
Trade receivables from related parties		
Halk Sigorta A.Ş.	1,250,590	957,600
T. Halk Bankası A.Ş.	6,574	4,095
Bileşim Alternatif Dağıtım Kanalları A.Ş.	1,521	3,037
Total	1,258,685	964,732

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

(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 2019 and 31 December 2018 are as follows:

Income from related parties

	1 January – 31 December 2019	1 January – 31 December 2018
<u>T. Halk Bankası A.Ş.</u>		
Commission income on public offerings brokerage	21,085,880	18,148,693
Interest income on deposits	17,215,986	61,627,840
Brokerage commission income	1,441,197	-
Consultancy service income	1,100,000	340,000
Amortization income on bonds	30,467	362,389
<u>Halk Emeklilik Fonları</u>		
Brokerage commission income	2,410,842	1,590,251
<u>Halk Portföy Fonları</u>		
Brokerage commission income	-	722,906
Commission income on fund distribution	-	235,199
<u>Halk Gayrimenkul Yatırım Ortaklığı A.Ş.</u>		
Commission income on public offerings brokerage	-	260,000
Consultancy service income	-	105,000
Amortization income on bonds	-	4
<u>Halk Finansal Kiralama A.Ş.</u>		
Commission income on public offerings brokerage	1,395,000	1,296,250
Amortization income on bonds	2,061	1,685
<u>Halk Sigorta A.Ş.</u>		
Consultancy service income	60,000	102,000
Brokerage commission income	98	199
Commission income on public offerings brokerage	-	35,000
<u>Halk Hayat ve Emeklilik A.Ş.</u>		
Consultancy service income	180,000	-
Brokerage commission income	47	79,572
<u>Halk Portföy Yönetimi A.Ş.</u>		
Service income	11,601	122,419
<u>Halk Varlık Kiralama A.Ş.</u>		
Sukuk issue brokerage commission income	4,942,500	2,712,500
<u>Bileşim Alternatif Dağıtım Kanalları A.Ş.</u>		
Brokerage commission income	-	1,124
<u>Halk Faktoring A.Ş.</u>		
Halka arz ve ihraç aracılık komisyon gelirleri	210,000	420,000
<u>Halkbank AD Skopje</u>		
Consultancy service income	-	121,800
Total	50,085,679	88,284,830

The Company's operational income contributed to operating profit mainly consists of related parties.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

(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 2019	1 January – 31 December 2018
<u>T. Halk Bankası A.S.</u>		
Rent expenses	1,839,086	1,570,421
Common expense contribution expense	457,876	423,892
Commissions of guarantee letter	62,231	87,585
Bank charges	50,686	51,628
<u>Halk Sigorta A.S.</u>		
Commercial paper interest expense	2,224,769	-
Personnel expenses (Health/insurance expenses)	1,112,579	810,768
Repurchase agreements interest expense	19,390	73,467
<u>Halk Hayat ve Emeklilik A.S.</u>		
Personnel expenses (Death insurance expenses)	45,747	38,954
Common expense contribution expense	30,293	23,137
Repurchase agreements interest expense	1,950	50,792
<u>Bileşim Alternatif Dağıtım Kanalları A.S.</u>		
Service expense	22,155	45,755
Repurchase agreements interest expense	705	25,032
Total	5,867,467	3,201,431

Benefits provided to key management

The key personnel received remuneration and fees amounting in total TL 2,478,964 for the period ended 31 December 2019 (31 December 2018: TL : 2,753,436).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

6 Trade receivables and payables

Trade receivables

As of 31 December 2019 and 31 December 2018, trade receivables of the Company are as follows:

	31 December 2019	31 December 2018
Receivables from loan customers ⁽¹⁾	57,978,799	64,478,434
VIOP collaterals	67,242,282	30,095,390
Leveraged trade collaterals	9,888,163	7,348,084
Receivables from customers	1,413,661	606,785
Collaterals of borrowed securities	262,644	575,133
Due from related parties (Note 5)	494,887	228,767
Doubtful trade receivables	292,398	564,173
Provision for doubtful trade receivables	(292,398)	(564,173)
Total	137,280,436	103,332,593

⁽¹⁾ As of 31 December 2019, the average interest rate applied to the loan customers is 16.89% (31 December 2018: 30.76%).

The movement of the provision of doubtful receivables of the Company as of 31 December 2019 and 31 December 2018 is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	564,173	228,235
Provision made within the period	-	996,060
Collected in the period	(193,938)	(80,604)
Terminated provisions	(77,837)	(579,518)
Closing balance	292,398	564,173

Trade payables

As of 31 December 2019 and 31 December 2018, trade payables of the Company is as follows:

	31 December 2019	31 December 2018
Leveraged trade collaterals	9,002,507	6,795,142
VIOP collaterals	66,105,713	28,724,907
Payables to customers	45,531,312	22,071,531
Suppliers	1,976,193	1,471,814
Payables to related parties (Note 5)	1,258,685	964,732
Collaterals received for lent securities	262,644	575,133
Total	124,137,054	60,603,259

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

7 Borrowings

As of 31 December 2019 and 31 December 2018, the detail of the Company's borrowings are as follows:

	31 December 2019	31 December 2018
Issued commercial paper	-	52,355,826
Total	-	52,355,826

As of 31 December 2019 the Company has no financial borrowings.

As of 31 December 2018 the Company's issued bonds, notes and bills are as follows.

31 December 2018					
ISIN	Date of Issue	Maturity	Interest rate (%)	Nominal	Amount
TRFHALK31911	21 December 2018	21 March 2019	23.50%	55,000,000	52,355,826
Total					52,355,826

8 Other non-current assets

The Gamification Project and Robodanışmanlık (AÖS) will continue to be developed by our Technopark Software and Project Development team based on Macellum I and II projects in 2020.

Within the scope of the Robodanışmanlık (AÖS) Project, a web-based platform has been designed with the suggestions to be given by the Investment Advisory and Research Units in order to direct the Company's sales personnel. Upon the approval of the project, R&D activities have started as of April 2019 within the office rented at Yıldız Technical University/Davutpaşa Technopark. The total duration of the project is 11 months. Expenditures incurred in this context have been capitalized in other assets.

Within the scope of Gamification Project, which is another project that our software team is working on, we have started to prepare a mobile investment application in game format in order to contribute to increasing the financial literacy of young people in our country. In addition to the social responsibility dimension, increasing our corporate awareness in digital platforms stands out as the other achievement of the project. Upon the approval of the project by Teknopark Assessment Committee R&D activities have started as of January 2020 within the office rented at Yıldız Technical University/Davutpaşa Technopark. The total duration of the project is 6 months. Expenditures incurred in this context have been capitalized in other current assets.

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	2,156,017	1,638,281
Increase during the period	587,376	517,736
Closing balance	2,743,393	2,156,017

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

9 Other receivables and payables

Other receivables

As of 31 December 2019 and 31 December 2018 other receivables are as follows:

	31 December 2019	31 December 2018
Foreign collaterals related to leveraged transactions	9,793,056	9,561,400
BISTECH Share MKT transaction collaterals ⁽²⁾	4,711,968	4,497,107
TEFAS transaction collaterals ⁽⁴⁾	3,744,470	-
VIOP, Share, Loan and Borrowing Instruments collaterals ⁽¹⁾	812,926	1,032,219
Receivables from leveraged transactions	-	25,543
BAP MKT transaction collaterals ⁽³⁾	1,506,282	1,974,262
Rent and other collaterals, deposits	7,750	24,327
Receivables from personnel	28,024	21,893
Other	45,408	19,801
Expected credit loss provision (-)	(10,355)	-
Total	20,639,529	17,156,552

(1) It comprises the Company's cash collaterals given to Takasbank for trading in futures and options markets and other markets.

(2) It comprises the Company's cash collaterals given to Takasbank for trading on the Share market.

(3) It comprises the Company's cash collaterals given to Takasbank for trading on the Borrowing instruments market.

(4) It comprises the Company's cash collaterals given to liquidity suppliers for leveraged trading transactions.

Other payables

As of 31 December 2019 and 31 December 2018 other payables are as follows:

	31 December 2019	31 December 2018
Taxes and duties payable	10,302,363	6,714,838
Other	60,398	55,005
Total	10,362,761	6,769,843

10 Prepaid expenses

As of 31 December 2019 and 31 December 2018 prepaid expenses are as follows:

	31 December 2019	31 December 2018
Prepaid expenses ⁽¹⁾	1,799,014	1,348,214
Prepaid rents	223,906	276,117
Total	2,022,920	1,624,331

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

11 Property, plant and equipment

For the years ended 31 December 2019 and 31 December 2018, movement of the property, plant and equipment is as follows:

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
Opening balance, 1 January 2018	2,654,057	1,887,887	2,565,123	7,107,066
Additions	973,253	137,947	6,786	1,117,986
Disposals	(14,120)	(87,391)	-	(101,511)
Closing balance, 31 December 2018	3,613,190	1,938,443	2,571,909	8,123,541
Opening balance, 1 January 2019	3,613,190	1,938,443	2,571,909	8,123,541
Additions	1,751,938	82,332	244,274	2,078,544
Closing balance, 31 December 2019	5,365,128	2,020,775	2,816,183	10,202,085
Accumulated depreciation				
Opening balance, 1 January 2018	1,210,591	1,693,902	2,111,047	5,015,540
Charge for the period	637,225	99,639	200,961	937,825
Disposals	(14,120)	(87,391)	-	(101,511)
Closing balance, 31 December 2018	1,833,696	1,706,150	2,312,008	5,851,854
Opening balance, 1 January 2019	1,833,696	1,706,150	2,312,008	5,851,854
Charge for the period	759,255	90,422	157,414	1,007,091
Closing balance, 31 December 2019	2,592,951	1,796,572	2,469,422	6,858,945
Net book value				
31 December 2018	1,779,494	232,293	259,901	2,271,687
31 December 2019	2,772,177	224,203	346,761	3,343,140

In the reporting period for the year ended 31 December 2019, a total of TL 2,078,544 of property, plant and equipment assets have been purchased (31 December 2018: TL 1,117,986).

In the reporting period for the year ended 31 December 2019 total insurance on property, plant and equipment are amounting to TL 8,552,750 (31 December 2018: TL 8,616,186).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

12 Intangible assets

For the years ended 31 December 2019 and 31 December 2018, movement of the intangible assets is as follows:

	Software
Cost	
Opening balance, 1 January 2018	2,491,495
Additions	892,291
Closing balance, 31 December 2018	3,383,786
Opening balance, 1 January 2019	3,383,786
Additions	681,843
Closing balance, 31 December 2019	4,065,629
Accumulated amortization	
Opening balance, 1 January 2018	2,186,667
Charge for the period	326,557
Closing balance, 31 December 2018	2,513,224
Opening balance, 1 January 2019	2,513,225
Charge for the period	475,978
Closing balance, 31 December 2019	2,989,203
Net book value	
31 December 2018	870,562
31 December 2019	1,076,426

In the accounting period ended 31 December 2019, intangible assets amounting to TL 681,843 have been purchased (31 December 2018: TL 892,291).

13 Right-of-use Assets and Lease Payables

As of 31 December 2019, movement of right-of-use assets and lease payables are as follows:

	Building rent expenses	Vehicle rent expenses	Total
Cost			
Opening balance, 1 January 2019	-	-	-
Additions	3,947,499	2,059,416	6,006,915
Disposals	-	-	-
Closing balance, 31 December 2019	3,947,499	2,059,416	6,006,915
Accumulated depreciation			
Opening balance, 1 January 2019	-	-	-
Charge for the period	1,846,676	205,134	2,051,810
Disposals	-	-	-
Closing balance, 31 December 2019	1,846,676	205,134	2,051,810
Net book value			
31 December 2019	2,100,823	1,854,282	3,955,105

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

13 Right-of-use Assets and Lease Payables (*cont'd*)

	31 December 2019
Allocation of leasing liabilities	
Current	2,377,089
Non-current	1,824,579
Closing balance, 31 December 2019	4,201,668

14 Provisions, contingent assets and liabilities

Other short-term provisions

As of 31 December 2019 and 31 December 2018, short-term provisions for liabilities are as follows:

	31 December 2019	31 December 2018
Lawsuit provisions	709,950	619,500
Expenses payable	14,945	4,030
Common expense contribution share	67,119	100,245
Other expense accruals	2	68,121
Total	792,016	791,896

Other off-balance sheet liabilities

As of 31 December 2019 and 31 December 2018 off-balance sheet liabilities are as follows:

Letters of guarantee

	31 December 2019	31 December 2018
Stock Exchange Money Market Transaction Collaterals (Settlement and Custody Bank)	-	295,000,000
Istanbul Stock Exchange (ISE)	80,000	80,000
CMB	1,776	1,776
Other	85,754	80,754
Total	167,530	295,162,530

As of 31 December 2019, the Company has guarantees amounting to USD 2,000,000 to liquidity suppliers to make leveraged trading transactions (31 December 2018: USD 2,000,000).

Other off-balance sheet liabilities

Items held in custody (nominal)	31 December 2019	31 December 2018
Stocks	2,424,136,261	2,035,022,878
Warrants	7,297,094	5,236,369
Other securities	2,790,145,696	1,219,838,385
Futures and option market agreements (number)	274,736	43,040

As of 31 December 2019, there are future and option markets transaction collaterals held on behalf of customers amounting to TL 66,105,713 (31 December 2018: TL 28,724,907) in Takasbank.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

Other off-balance sheet liabilities (cont'd)

As of 31 December 2019 and 31 December 2018, the open transaction amounts in VIOP are as follows:

	31 December 2019	31 December 2018
Open position transaction amount	302,725,808	98,928,518

Lawsuits

As of 31 December 2019, total risk of lawsuits sued against the Company are amounting to approximately TL 709,950 (31 December 2018: TL 619,500) and TL 709,950 of provision is provided for these lawsuits on the financial statements (31 December 2018: TL 619,500).

	1 January – 31 December 2019	1 January – 31 December 2018
Opening balance	619,500	798,211
Increase during the period	90,450	400,807
Released provision	-	(579,518)
Closing balance	709,950	619,500

15 Provisions related to employee benefits

As of 31 December 2019 and 31 December 2018, the details of employee benefits are as follows:

	31 December 2019	31 December 2018
<i>Short-term</i>		
- Provision for unused vacation	1,018,187	626,232
- Personnel dividend bonus provision	2,350,000	2,109,880
<i>Long-term</i>		
- Employee severance pay liability	2,530,486	1,920,566

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 2019 and 31 December 2018 are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Opening balance	626,232	914,520
Increase during the year	411,192	226,491
Paid during the year	(19,237)	(514,779)
Closing balance	1,018,187	626,232

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

15 Provisions related to employee benefits (cont'd)

Provision for personnel dividend premium

The provision for personnel dividend premium provision consists of the TL 2,350,000 dividend premium that the Company foresees to distribute to the personnel from the provisions allocated in the statement of financial position for 2019 (31 December 2018: TL 2,109,880). The Company has recognized the related amount as expense in accordance with TAS 19 in the current period.

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 2019 and 31 December 2018 are as follows:

	31 December 2019	31 December 2018
Discount rate	12.10%	16.30%
Estimated rate of salary increase	8.20%	12.00%
Net discount rate	3.60%	3.84%

The movements of provision for termination and retirement benefits within the accounting periods ended 31 December 2019 and 31 December 2018 are as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Opening balance	1,920,566	1,499,508
Interest cost	73,750	56,056
Service cost	750,042	585,835
Payments during the period	(213,872)	(220,833)
Closing balance	2,530,486	1,920,566

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

16 Tax assets and liabilities

As of 31 December 2019 the Company is subject to corporate tax with a rate of 22% (31 December 2018: 22%). This rate is applied to accounting income modified for certain exemptions and deductions and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law numbered 5520, published at Official Gazette dated 21 June 2006 and with number 26205 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.

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. Companies file their tax returns between 1 - 25 April following the close of the accounting year to which they relate. 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 five years.

The Law numbered 7601 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261.

The 20% corporate tax rate, will be applied as 22% for entities' corporate income belonging to the taxation periods of 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law Article No 91 (to financial years, which start within the related year for entities appointed a special accounting period). The rate was initially applied in the first temporary tax period in 2018.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

16 Tax assets and liabilities (cont'd)

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 2019 and 31 December 2018.

	1 January – 31 December 2019	1 January – 31 December 2018
Profit before tax	109,746,762	76,281,025
Corporate tax computed with statutory tax rate (22%)	24,144,288	16,781,826
Non-deductable expenses	1,200,304	46,555
Non-taxable income	(6,582,074)	(598,813)
Effect of temporary difference of future corporate tax	-	(36,413)
Tax expense	18,762,518	16,193,155

Tax expense for the years ended 31 December 2019 and 31 December 2018 consist of the following items:

	1 January – 31 December 2019	1 January – 31 December 2018
Current tax expense	(18,992,711)	(16,837,361)
Deferred tax (expense)/income	230,193	644,206
Tax expense	(18,762,518)	(16,193,155)

As of 31 December 2019 and 31 December 2018, the corporation tax payable after deduction of prepaid taxes is accounted under "corporate tax payable" in "current tax liabilities" or in "current tax assets" account.

	31 December 2019	31 December 2018
Prepaid provisional tax	16,200,307	27,695,346
Current corporate tax expense	(18,992,711)	(16,837,361)
Current tax (liabilities) / assets	(2,792,404)	10,857,985

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

16 Tax assets and liabilities (*cont'd*)

Deferred tax

As at 31 December 2019 and 31 December 2018, details of net deferred tax assets and liabilities are as follows:

	31 December 2019	31 December 2018
Deferred tax assets		
Provision for employment termination benefits	506,097	384,113
Unused vacation provision	224,001	137,771
Provision for personnel dividend premium	517,000	464,174
Allowance for doubtful receivables	-	124,118
Lawsuit provision	156,189	123,900
Total deferred tax assets	1,403,287	1,234,076
Deferred tax liabilities		
Financial investments	(1,715,084)	(1,751,944)
Effect of depreciation and amortisation method difference between tax regulations and financial reporting on tangible and intangible assets	(206,905)	(123,506)
Derivative instruments	-	(107,521)
Total deferred tax liability	(1,921,989)	(1,982,971)
Net deferred tax asset / (liability)	(518,702)	(748,895)

17 Shareholders' equity

In accordance with the resolution of the General Assembly dated 25 March 2019, it is decided to provide primary reserve amounting to TL 2,864,753 at the rate of 5% of the net profit in 2018, to pay the first dividend amounting to TL 5,200,000 with a rate of 5% of the paid capital to the shareholders of the Company pursuant to the provision of Article 21/b and the second dividend amounting to TL 44, 563,013 pursuant to provision of Article 21/d which make TL 49,763,013 in total and to provide the secondary reserve amounting to TL 4,667,289.

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 percent 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 percent of paid-in capital.

As of 31 December 2019, the Company has restricted reserves amounting to TL 23,453,751 appropriated from profit (31 December 2018: TL 15,921,709).

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 derecognised or impaired.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

17

Shareholders' equity (*cont'd*)

Other earnings

All actuarial gains and losses arising from the recognition of defined benefit liabilities resulting from the new amendment to TAS 19 (2011), effective for the periods beginning on or after 31 December 2012, are recognized as "other earnings" under other comprehensive income.

Prior years' profit

As of 31 December 2019, the Company has prior years' profit amounting to TL 8,933,823 (31 December 2018: TL 6,141,008).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

18

Revenue and cost of sales

Income from operating activities for the years ended 31 December 2019 and 31 December 2018 is as follows:

	1 January – 31 December 2019	1 January – 31 December 2018
Sales revenue		
Government bond sales	188.346.741	57.788.477
Government bond repo sales	-	1.500.000
Asset-backed security sales	25.236.739	-
Stock and interim certificate sales	1.541.944	16.693.919
Private sector bond sales	15.674.620	561.636.422
Bank bond sales	-	326.562
Sukuk rent certificates	-	83.891.049
Commercial paper sales	101.356.251	780.110.345
Euro bond sales	66.534.071	33.584.446
Treasury bill sales	10.489.331	1.892.204
Covered warrant sales	-	9.064
Total sales income	409.179.697	1.537.432.488
Services		
Stock commission income	48.568.248	46.824.580
Interest income from customers	15.061.900	19.261.671
Public offering intermediary income	28.439.417	28.219.005
Fixed income securities commissions	97.105	160.534
Repo-reverse repo commissions	2.161.954	1.056.888
Settlement and Custody bank money market commission	338.739	553.465
Futures and options market commission income	6.823.488	4.235.891
Securities Lending Market and other commission income	225.431	227.658
Leveraged trade collaterals	3.741.290	2.570.676
Funds management commission income	563.720	254.073
Consulting and portfolio management services income	1.174.329	300.000
Total service income	107.195.621	103.664.441
Discounts from service income		
Branch and customer commission return	-	(17.010)
Total discounts from service income	-	(17.010)
Total sales income	516.375.318	1.641.079.919
Cost of sales		
Government bond purchases	187.199.476	57.665.295
Government bond repo purchases	-	1.500.000
Asset-backed security sales	25.000.000	-
Stock and interim certificate purchases	1.546.405	16.768.512
Private sector bond purchases	15.664.257	561.567.856
Bank bond purchases	-	326.562
Sukuk rent certificates	-	83.891.047
Commercial paper purchases	101.252.395	777.428.152
Euro bond purchases	66.240.300	33.428.517
Treasury bill purchases	10.468.491	1.892.874
Covered warrant purchases	-	9.198
Total cost of sales	407.371.324	1.534.478.013
Gross profit	109.003.994	106.601.906

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

19

General administrative and marketing expenses

General administrative expenses for the years ended 31 December 2019 and 31 December 2018 are as follows:

<i>General administrative expenses</i>	1 January – 31 December 2019	1 January – 31 December 2018
Personnel expenses	27,341,804	22,300,810
-Salaries	19,101,880	15,796,854
-Personnel insurance and bonus expenses	4,544,885	3,576,287
-Personnel service and travel expenses	745,542	652,305
-Personnel retirement pay expenses	609,920	641,891
-Personnel retirement pay payments	289,736	220,833
-Personnel food expenses	805,583	595,467
-Other personnel expenses	1,244,258	817,174
Data monitor and distribution expenses	1,653,161	1,386,590
Rent expenses	576,210	1,730,857
Depreciation and amortisation expenses	3,534,879	1,264,382
Outsourced benefits and services	3,151,359	2,169,316
Communication expenses	1,299,581	1,202,700
Taxes and dues	1,242,769	1,029,262
Common expenses participation provision expenses	777,114	520,888
Audit and advisory expenses	387,162	196,008
Vehicle rent and fuel expenses	869,307	950,914
Maintenance and repair expenses	550,462	608,347
Representation expenses	104,490	166,420
Other	804,297	262,939
Total	42,292,595	33,789,433

Marketing expenses for the years ended 31 December 2019 and 31 December 2018 are as follows:

<i>Marketing expenses</i>	1 January – 31 December 2019	1 January – 31 December 2018
Share of stock exchange expenses	6,955,070	5,288,863
Data monitor and distribution expenses	3,903,190	3,681,180
Commercial paper issue expenses	641,286	556,613
Commission and service expenses	1,892,223	1,459,631
Advertising, notice and subscription expenses	921,788	604,020
Stock exchange and association subscriptions	357,512	329,077
Stock exchange access expenses	462,436	236,709
Sponsorship expenses	100,000	93,333
Internet and website expenses	11,650	83,336
Other	65,986	62,673
Total	15,311,141	12,395,435

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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 3,534,879 in the year ended 31 December 2019 (31 December 2018: TL 1,264,382). In the year ended 31 December 2019, the provision for severance pay expense is TL 609,920, the provision for unused vacation expense is TL 411,191 TL (31 December 2018: TL 429,901 provision for severance pay expense, TL 226,491 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 2019 and 31 December 2018 are as follows:

<i>Other operating income</i>	1 January – 31 December 2019	1 January – 31 December 2018
Gains from Associates	3,500,427	-
Other service income ⁽¹⁾	676,936	605,096
Dividend income ⁽²⁾	484,650	154,140
SSI return premiums and other income ⁽³⁾	450	26,342
Released provisions ⁽⁴⁾	-	579,518
Total	4,662,463	1,365,096

(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 450 is received as grant from treasury for SSI payments. (31 December 2018: TL 24,476).

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

<i>Other operating expenses</i>	1 January – 31 December 2019	1 January – 31 December 2018
Lawsuit provisions	90,450	483,148
Other expenses and losses ⁽¹⁾	239,014	949,323
Total	329,464	1,432,471

(1) It comprises administrative fine, customers' unsecured balances and other expenses.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

22

Finance income and expenses

As of 31 December 2019 and 31 December 2018, the details of finance income and expenses are as follows:

<i>Finance income</i>	1 January – 31 December 2019	1 January – 31 December 2018
Interest income on time deposits	17,215,986	61,627,840
Interest income on reverse repurchase agreements	47,292,646	24,979,516
Fixed yield security redemption, coupon and rediscount income	2,200,848	2,246,235
Futures and options market and other guarantees interest income	4,515,558	1,036,871
Takasbank money market interest income	21,858,814	528,849
Derivative income	16,581,078	40,081,621
Foreign exchange gains	11,124,362	16,682,712
Valuation differences of stocks	22,829,749	-
Other	120,223	150,413
Total	143,739,264	147,334,057

<i>Finance expenses</i>	1 January – 31 December 2019	1 January – 31 December 2018
Takasbank borrowing and credit interest expenses	10,050,114	62,998,039
Commercial paper interest expenses	35,332,425	30,081,234
Interest expense on repurchase agreements	34,048,064	23,121,527
Foreign exchange loss	9,502,987	13,547,634
Valuation differences of stocks	-	2,019,732
Letter of guarantee commissions	791,805	2,082,475
Other	364	27,388
Total	89,725,759	133,878,029

23

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.

23.1

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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

23.1 Credit risk (cont'd)

Credit risks exposed by types of financial instruments:

31 December 2019	Receivables			Cash at banks ⁽¹⁾	Derivative instruments	Financial investments ⁽²⁾
	Trade receivables		Other			
	Related	Other	Other			
Maximum credit risk exposure as at balance sheet date (A+B+C+D+E)	494,887	137,077,947	20,639,529	147,414,391	-	13,179,779
- Secured portion of the maximum credit risk by guarantees etc.	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	494,887	136,785,549	20,639,529	147,414,391	-	13,179,779
B. Net book value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	-	-	-	-	-	-
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)	-	292,398	-	-	-	-
- Impairment (-)	-	292,398	-	-	-	-
- Secured portion of the net book value by gu	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net book value by gu	-	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

(1) Receivables from reverse repo transactions amounting to TL 10,190,027 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 2018	Receivables			Cash at banks ⁽¹⁾	Derivative instruments	Financial investments ⁽²⁾
	Trade receivables		Other			
	Related	Other	Other			
Maximum credit risk exposure as at balance sheet date (A+B+C+D+E)	228,767	103,667,999	17,156,552	108,310,347	488,733	33,805,876
- Secured portion of the maximum credit risk by guarantees etc.	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	228,767	103,103,826	17,156,552	108,310,347	488,733	33,805,876
B. Net book value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	-	-	-	-	-	-
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)	-	564,173	-	-	-	-
- Impairment (-)	-	564,173	-	-	-	-
- Secured portion of the net book value by gu	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net book value by gu	-	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

(1) Receivables from reverse repo transactions amounting to TL 27,981,023 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 are not subject to credit risk.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

23.2 Liquidity risk

As of 31 December 2019, the profile of financial liabilities according to their remaining maturities is as follows:

Contractual maturity	Carrying value	Total contractual cash outflows	3 months or less	3-12 months	1-5 years
Non-derivate financial liabilities	124,137,054	124,137,054	124,137,054	-	-
Trade payables	124,137,054	124,137,054	124,137,054	-	-
Financial liabilities	-	-	-	-	-

As of 31 December 2018, the profile of financial liabilities according to their remaining maturities is as follows:

Contractual maturity	Carrying value	Total contractual cash outflows	3 months or less	3-12 months	1-5 years
Non-derivate financial liabilities	112,959,085	113,327,261	113,327,261	-	-
Trade payables	60,603,259	60,603,259	60,603,259	-	-
Financial liabilities	52,355,826	52,724,002	52,724,002	-	-
Derivative financial liabilities	488,733	2,811,000	2,811,000	-	-
Derivative cash inflows	488,733	2,811,000	2,811,000	-	-

As at 31 December 2019 and 31 December 2018, the liquidity requirement of the Company in accordance with Communiqué 34 is as follows:

	31 December 2019	31 December 2018
Current assets (A)	360,779,939	282,037,264
Current liabilities (B)	145,654,090	124,005,831
Current assets/Current liabilities (A/B)	2.48	2.27

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

23.3 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 2019 and 31 December 2018, the Company's foreign currency position is as follows:

	31 December 2019			
	TL equivalent (Functional currency)	US Dollar	Euro	Other
1. Trade receivables	-	-	-	-
2a. Monetary financial assets (including cash, bank deposit accounts)	3,741,288	626,937	2,579	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	3,741,288	626,937	2,579	-
5. Trade receivables	9,864,778	1,660,235	334	62
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	9,864,778	1,660,235	334	62
9. Total assets (4+8)	13,606,066	2,287,172	2,913	62
10. Trade payables	9,842,549	1,648,809	334	6,630
11. Financial liabilities	-	-	-	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	9,842,549	1,648,809	334	6,630
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	9,842,549	1,648,809	334	6,630
19. Off-balance sheet derivative instruments net asset/(liability) position (19a-19b)	-	-	-	-
19a. Amount of active foreign currency derivative off-balance sheet	-	-	-	-
19b. Amount of pasive foreign currency derivative off-balance sheet	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	3,763,517	638,363	2,579	(6,568)
21. Monetary items net foreign currency assets / (liabilities) (tfrs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)	3,763,517	638,363	2,579	(6,568)
22. Fair value of financial instruments used for currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

23.3 Market risk (cont'd)

Foreign currency risk (cont'd)

	31 December 2018			
	TL equivalent (Functional currency)	US Dollar	Euro	Other
1. Trade receivables	-	-	-	-
2a. Monetary financial assets (including cash, bank deposit accounts)	55,450,239	10,538,940	983	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	55,450,239	10,538,940	983	-
5. Trade receivables	2,920,857	541,645	983	22,827
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	2,920,857	541,645	983	22,827
9. Total assets (4+8)	58,371,096	11,080,586	1,967	22,827
10. Trade payables	9,542,254	1,812,725	-	1,518
11. Financial liabilities	-	-	-	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	9,542,254	1,812,725	-	1,518
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	9,542,254	1,812,725	-	1,518
19. Off-balance sheet derivative instruments net asset/(liability) position (19a-19b)	(52,609,000)	(10,000,000)	-	-
19a. Amount of active foreign currency derivative off-balance sheet	-	-	-	-
19b. Amount of pasive foreign currency derivative off-balance sheet	52,609,000	10,000,000	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	(3,780,158)	(732,139)	1,967	21,309
21. Monetary items net foreign currency assets / (liabilities) (tfrs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)	48,828,842	9,267,861	1,967	21,309
22. Fair value of financial instruments used for currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

23.3 Market risk (*cont'd*)

Foreign currency sensitivity analysis

The Company is exposed to foreign exchange risk primarily with respect to Euro, US Dollar and other currencies.

The following table details the Company's sensitivity to a 10% increase and decrease in Euro, US Dollar and other currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit/loss or other equity items.

31 December 2019		
	Foreign currency increase against TL	Foreign currency decrease against TL
<u>10% change in US Dollar against TL</u>		
1- US Dollar net asset/liability	379,200	(379,200)
2- Hedged risk (USD Dollar) (-)	-	-
3- US Dollar net effect (1+2)	379,200	(379,200)
<u>10% change in Euro against TL</u>		
4- Euro net asset/liability	1,715	(1,715)
5- Hedged risk (Euro) (-)	-	-
6- Euro net effect (4+5)	1,715	(1,715)
<u>10% change in other currencies against TL</u>		
7- Other net asset/liability	(4,563)	4,563
8- Hedged risk (Other) (-)	-	-
9- Other net effect (7+8)	(4,563)	4,563
Total (3+6+9)	376,352	(376,352)
31 December 2018		
	Foreign currency increase against TL	Foreign currency decrease against TL
<u>10% change in US Dollar against TL</u>		
1- US Dollar net asset/liability	4,875,729	(4,875,729)
2- Hedged risk (USD Dollar) (-)	-	-
3- US Dollar net effect (1+2)	4,875,729	(4,875,729)
<u>10% change in Euro against TL</u>		
4- Euro net asset/liability	1,186	(1,186)
5- Hedged risk (Euro) (-)	-	-
6- Euro net effect (4+5)	1,186	(1,186)
<u>10% change in other currencies against TL</u>		
7- Other net asset/liability	5,970	(5,970)
8- Hedged risk (Other) (-)	-	-
9- Other net effect (7+8)	5,970	(5,970)
Total (3+6+9)	4,882,885	(4,882,885)

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

23.3 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 2019 and 31 December 2018, in case of having a 20% decrease/increase in İstanbul Stock Exchange stock market index while having all other variables constant, the effects on profit or loss and comprehensive income would be as follows:

31 December 2019	Profit / (loss)		Equity ^(*)	
	20% increase	20% decrease	20% increase	20% decrease
<i>Financial assets at fair value through profit or loss</i>				
- Stocks	8,465,776	(8,465,776)	8,465,776	(8,465,776)
<i>Financial assets at fair value through other comprehensive income</i>				
- Stocks	-	-	85,446	(85,446)
Total	8,465,776	(8,465,776)	8,551,222	(8,551,222)

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

31 December 2018	Profit / (loss)		Equity ^(*)	
	20% increase	20% decrease	20% increase	20% decrease
<i>Financial assets at fair value through profit or loss</i>				
- Stocks	3,899,827	(3,899,827)	3,899,827	(3,899,827)
<i>Financial assets at fair value through other comprehensive income</i>				
- Stocks	-	-	45,328	(45,328)
Total	3,899,827	(3,899,827)	3,945,155	(3,945,155)

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

23.3 Market risk (*cont'd*)

Interest rate risk

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

		31 December 2019	31 December 2018
Financial instruments with fixed interest rate			
	Financial assets at fair value through profit or loss	332,450	827,028
Financial assets	Time deposits	97,152,042	61,541,772
	Receivables from reverse repurchase agreements	10,190,027	27,981,023
Trade receivables	Receivables from loan customers	57,978,799	64,478,434
Financial liabilities	Financial liabilities	-	52,355,826
Financial instruments with floating interest rate			
Financial assets	Financial assets at fair value through profit or loss	12,847,329	32,978,848

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. Based on the analysis calculated by the Company, if the interest rate for TL were increased or decreased by 1% holding all other factors constant, the effect on the fair value of fixed income financial assets and net profit/loss and the effect on equity for the period ended as at 31 December 2019 is detailed in the table below. The sensitivity analysis is applied on the same basis also in 2018.

	Profit / (loss)		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2019				
Financial investments	(2,729,714)	4,389,395	(2,729,714)	4,389,395
31 December 2018				
Financial investments	(1,281,698)	1,357,438	(1,281,698)	1,357,438
31 December 2019				
	Assets	Liabilities	Assets	Liabilities
Swap transactions	-	-	488,733	-
Total	-	-	488,733	-

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

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

23.4 Capital management

As of 31 December 2019 and 31 December 2018, the minimum liability for shareholders' equity that the Company should possess shall be TL 27,453,733 and TL 26,209,815 respectively 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 213,667,772 as of 31 December 2019 (31 December 2018: TL 146,181,966). 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 2019, 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 2019 and 31 December 2018, the risk provision amounts calculated in accordance with the Communiqué: V, No: 34 are as follows:

	31 December 2019	31 December 2018
Position risk	15,323,435	15,099,814
Counter party risk	18,559,812	16,996,344
Total risk provision	33,883,247	32,096,158

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

24

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

"TFRS 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 utilisation of observable market data, if available.

Fair value classification of assets and liabilities which are measured over their fair values is as follows:

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short-term)	55,508,661	-	-	55,508,661
Financial investments (long-term) (*)	427,230	4,456,054	-	4,883,284

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

(*) Stock investments amounting to TL 5 that are recognized at cost value are not included.

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short-term)	53,305,009	-	-	53,305,009
Financial investments (long-term) (*)	226,641	3,276,094	-	3,502,735
Derivative instruments	-	488,733	-	488,733

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

(*) Stock investments amounting to TL 5 that are recognized at cost value are not included.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

24 Financial instruments (cont'd)

Fair value disclosures (cont'd)

Classification of fair value measurement (cont'd)

Fair value of Halk Faktoring A.Ş. which is classified as Level 2 is measured by an independent valuation company by using comparable company value method which counts averages the weighted average of the amount and net asset value amounts calculated over the market value/book value factor and net asset value.

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 2019 and 31 December 2018, 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.

25 Non-current assets held for sale

Company's Board of Directors decided to dispose the shares of Halk Portföy Yönetimi A.Ş., which is a subsidiary of the Company, and Ziraat Portföy Yönetim A.Ş on 14 December 2018. These assets are classified as held for sale and presented separately in the financial statements.

	31 December 2019	31 December 2018
Non-current assets held sale	-	9,624,573
Total	-	9,624,573

Company's Halk Portföy Yönetimi A.Ş. shares, existing in its non-current assets classified as held for sale, were sold on 31 January 2019 with a value of TL 13,125,000.

26 Other matters

An indictment in which the allegations put forward in the lawsuit against the violation of Iranian sanctions against the former manager of the Parent Bank was repeated, was filed against the Parent Bank by the New York South District Prosecutor's Office, which is affiliated with the United States Department of Justice on 15 October 2019.

In order to object to the court's personal verdict and to submit requests for the recusation, a private hearing was requested by the Parent Bank from the New York District Court. The District Court denied the concerning request. The Parent Bank applied to the New York 2nd Court of Appeal and requested a high court order in order for the District Court to hold a private hearing.

When the District Court wanted to continue the general hearings in which the case was to be discussed, the hearings were requested to be ceased with reference to the aforementioned Court. The District Court denied the concerning request. The decision to halt the hearings rejected by the Parent Bank was also appealed before the 2nd Court of Appeal.

The 2nd Court of Appeal decided to temporarily suspend the hearing before the District Court until the appellate panel of 3 judges made its final decision regarding the cessation of hearings.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2019

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

26 Other matters (*cont’d*)

The appeal process for the final cessation of hearings before the 2nd Court of Appeal and for the order of a high court to hold a private hearing is still ongoing.

The judicial process is closely monitored by the Parent Bank through US law firms that are experts in their field.

The appeal process which resulted in criminal proceedings concerning the former manager of the Parent Bank who was released and returned to Turkey on 19 July 2019 still continues.

The Parent Bank thoroughly complies with the national and international regulations in all its businesses and transactions, at all times; and endeavours to further develop its compliance policy as per the international standards.

While delivering its banking services, the Parent Bank solely utilizes foreign trade applications that are acknowledged and monitored by current regulations and all other banks; no other mechanism, method, or system is used. The foreign trade transactions and money transfers processed are explicit, transparent and readily observable by the relevant authorities. The Parent Bank shall preserve the transparency of its transactions and its policy of compliance with the international regulations, hereinafter, with the same determination.

Since the Parent Bank places an utmost importance on the matter, it had gone through a change in its organizational structure and established a new unit in the name of “Department of Compliance” (“Uyum Daire Başkanlığı”).

27 Events after the reporting period

None.