

**HALK YATIRIM MENKUL DEĞERLER  
ANONİM ŞİRKETİ**

CONDENSED FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD  
ENDED 30 JUNE 2019 AND  
REPORT ON REVIEW

(CONVENIENCE TRANSLATION OF  
CONDENSED INTERIM FINANCIAL  
STATEMENTS ORIGINALLY  
ISSUED IN TURKISH)

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

**LIMITED REVIEW REPORT ON CONDENSED  
INTERIM FINANCIAL INFORMATION**

**To the Board of Directors of  
Halk Yatırım Menkul Değerler A.Ş.  
İstanbul**

***Introduction***

We have reviewed the accompanying condensed statement of financial position of Halk Yatırım Menkul Değerler A.Ş. ("the Company") as at 30 June 2019, and the condensed statement of profit or loss, condensed statement of other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes. The Company management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with Turkish Accounting Standards 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

***Scope of Review***

We conducted our review in accordance with Independent Auditing Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with TAS 34 "Interim Financial Reporting".

## ***Other Matter***

As further disclosed in Note 19, as a result of the litigation regarding the violation of Iranian sanctions held in United States of America (“USA”) against one of the former directors of the Türkiye Halk Bankası A.Ş. (“parent Bank”), which is one of the main shareholders of the Company, the court jury found the former director guilty on 16 May 2018 for some of the allegations attributed to him. The former director was released on 19 July 2019. The case still continues.

The parent Bank is neither a party of the litigation nor it directly interferes with the litigation. There are no fiscal or judicial decisions regarding parent Bank made by the court. parent Bank also closely monitors the litigation process through specialized international law offices located in the USA.

Independently from the aforementioned litigation, there is uncertainty regarding the decision that may be made by the authorised bodies of the USA, which may then negatively affect the financial position of the parent Bank. It is indicated that the Management of the parent Bank is not implementing any possible sanctions or precautions against the parent Bank at this stage of the matter. However, the matter does not affect our conclusion.

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



Müjde Aslan  
Partner

Istanbul, 8 August 2019

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**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
**Condensed Statement of Financial Position as of 30 June 2019**  
(Currency: Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Reviewed 30 June 2019	Audited 31 December 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	60.742.408	108.310.347
Financial investments	4	22.855.492	53.305.009
Trade receivables	5-6	566.893.012	103.332.593
- Trade receivables from related parties	5	1.734.702	228.767
- Trade receivables from third parties	6	565.158.310	103.103.826
Other receivables		51.053.060	17.156.552
Derivative financial instruments		-	488.733
Prepaid expenses		1.682.031	1.624.331
Current tax assets	11	3.336.273	10.857.985
<b>TOTAL CURRENT ASSETS</b>		<b>706.562.276</b>	<b>295.075.550</b>
<b>NON-CURRENT ASSETS HELD FOR SALE</b>	<b>18</b>	<b>12.500</b>	<b>9.624.573</b>
<b>Non-current assets</b>			
Financial investments	4	3.522.166	3.502.740
Property, plant and equipment	8	2.220.250	2.271.687
Intangible assets	9	781.693	870.562
Other non-current assets		2.483.039	2.156.017
Right-of-use assets		5.745.245	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>14.752.393</b>	<b>8.801.006</b>
<b>TOTAL ASSETS</b>		<b>721.327.169</b>	<b>313.501.129</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities	7	-	52.355.826
Trade payables	5-6	529.770.591	60.603.259
- Trade payables to related parties	5	52.449	964.732
- Trade payables to third parties	6	529.718.142	59.638.527
Other payables		8.235.231	6.769.843
Short-term provisions		3.157.591	3.528.008
- Short-term provisions for employee benefits		2.354.474	2.736.112
- Other short-term provisions	10	803.117	791.896
Finance lease liabilities		5.925.024	-
<b>Short-term provisions</b>		<b>547.088.437</b>	<b>123.256.936</b>
<b>Non-current liabilities</b>			
Long-term provisions		2.050.978	1.920.566
- Long-term provisions for employee benefits		2.050.978	1.920.566
Deferred tax liability	11	718.107	748.895
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2.769.085</b>	<b>2.669.461</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	12	104.000.000	104.000.000
Restricted reserves appropriated from profit		23.453.751	15.921.709
Accumulated other comprehensive income that will not be reclassified to profit or loss		1.443.571	1.424.145
-Gains on remeasurement and reclassification		2.249.424	2.229.998
-Other earnings		(805.853)	(805.853)
Prior years' profit		8.933.823	6.141.008
Profit for the period		33.638.502	60.087.870
<b>TOTAL EQUITY</b>		<b>171.469.647</b>	<b>187.574.732</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>721.327.169</b>	<b>313.501.129</b>

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

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
**Condensed Statement of Profit or Loss and Other Comprehensive Income**  
**for the Period Ended 30 June 2019**

(Currency: Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Reviewed 1 January - 30 June 2019	Reviewed 1 April - 30 June 2019	Reviewed 1 January - 30 June 2018	Reviewed 1 April - 30 June 2018
<b>PROFIT OR LOSS</b>					
Revenue	13	285,730,713	198,922,516	1,513,968,865	787,407,391
Cost of sales	13	(237,532,677)	(174,182,746)	(1,467,324,349)	(764,658,305)
<b>GROSS PROFIT</b>		<b>48,198,036</b>	<b>24,739,770</b>	<b>46,644,516</b>	<b>22,749,086</b>
General administrative expenses	14	(20,737,233)	(10,977,434)	(17,372,596)	(8,932,457)
Marketing expenses	14	(7,421,279)	(3,620,259)	(6,048,517)	(3,256,425)
Other income from operating activities		4,429,655	398,993	358,346	293,441
Other expenses from operating activities		(113,658)	(96,568)	(54,187)	6,245
<b>OPERATING PROFIT</b>		<b>24,355,521</b>	<b>10,444,502</b>	<b>23,527,562</b>	<b>10,859,890</b>
Share of profit/(loss) of investments accounted for using the equity method		-	-	1,090,810	522,808
<b>OPERATING PROFIT BEFORE FINANCE EXPENSE</b>		<b>24,355,521</b>	<b>10,444,502</b>	<b>24,618,372</b>	<b>11,382,698</b>
Finance income	15	80,363,488	41,818,178	63,903,632	32,046,171
Finance expenses	15	(62,240,798)	(31,652,143)	(60,581,985)	(30,258,204)
<b>PROFIT BEFORE TAX</b>		<b>42,478,211</b>	<b>20,610,537</b>	<b>27,940,019</b>	<b>13,170,665</b>
Tax expense/income					
- Current tax expense	11	(8,870,497)	(4,094,715)	(4,586,429)	1,137,508
- Deferred tax income / (expense)	11	30,788	(378,652)	(1,364,814)	(3,777,866)
<b>PROFIT/LOSS FOR THE PERIOD FROM CONTINUING</b>		<b>33,638,502</b>	<b>16,137,170</b>	<b>21,988,776</b>	<b>10,530,307</b>
<b>PROFIT FOR THE PERIOD</b>		<b>33,638,502</b>	<b>16,137,170</b>	<b>21,988,776</b>	<b>10,530,307</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>19,426</b>	<b>6,475</b>	<b>139,563</b>	<b>39,457</b>
<b>Items that will not be reclassified to profit or loss</b>					
Gains on revaluation and reclassification		19,426	6,475	139,563	39,457
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>33,657,928</b>	<b>16,143,645</b>	<b>22,128,339</b>	<b>10,569,764</b>

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

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
**Condensed Statement of Changes in Equity for the Period Ended 30 June 2019**

(Currency: Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Accumulated other comprehensive income that will be reclassified subsequently to profit or loss		Share capital	Gains on revaluation and reclassification	Other gains/losses	Restricted reserves appropriated from profit	Retained earnings		Equity
		Accumulated other comprehensive income that will be reclassified subsequently to profit or loss	Accumulated other comprehensive income that will be reclassified subsequently to profit or loss					Prior years' profits / (losses)	Profit/(loss) for the period	
<b>Balances as of 1 January 2018</b>			<b>82,000,000</b>		<b>1,924,018</b>	<b>(805,853)</b>	<b>12,135,929</b>	<b>3,462,787</b>	<b>32,564,001</b>	<b>131,280,882</b>
Transfers			-		-	-	4,375,838	28,188,163	(32,564,001)	-
Profit for the period			-		-	-	-	-	21,988,776	21,988,776
Other comprehensive income			-		139,563	-	-	-	-	139,563
<i>Change in fair value of financial assets recognized in other comprehensive income at fair value</i>			-		139,563	-	-	-	-	139,563
<b>Total comprehensive income</b>			-		<b>139,563</b>	-	-	-	<b>21,988,776</b>	<b>22,128,339</b>
Dividend payment			-		-	-	-	(4,100,000)	-	(4,100,000)
Capital increase			22,000,000		-	-	(590,058)	(21,409,942)	-	-
<b>Balances as of 30 June 2018</b>			<b>104,000,000</b>		<b>2,063,581</b>	<b>(805,853)</b>	<b>15,921,709</b>	<b>6,141,008</b>	<b>21,988,776</b>	<b>149,309,221</b>
<b>Balances as of 1 January 2019</b>			<b>104,000,000</b>		-	<b>1,424,145</b>	<b>15,921,709</b>	<b>6,141,008</b>	<b>60,087,870</b>	<b>187,574,732</b>
Transfers			-		-	-	7,532,042	52,555,828	(60,087,870)	-
Profit for the period			-		-	-	-	-	33,638,502	33,638,502
Other comprehensive income			-		-	19,426	-	-	-	19,426
reclassification			-		-	19,426	-	-	-	19,426
<b>Total comprehensive income</b>			-		-	<b>19,426</b>	-	-	<b>33,638,502</b>	<b>33,657,928</b>
Dividend payment	12		-		-	-	-	(49,763,013)	-	(49,763,013)
<b>Balances as of 30 June 2019</b>			<b>104,000,000</b>		-	<b>1,443,571</b>	<b>23,453,751</b>	<b>8,933,823</b>	<b>33,638,502</b>	<b>171,469,647</b>

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

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
**Condensed Statement of Cash Flows**  
**for the Period Ended 30 June 2019**  
(Currency: Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Reviewed 1 January- 30 June 2019	Reviewed 1 January- 30 June 2018
<b>A. Cash flows from operating activities</b>		<b>95.772.491</b>	<b>54.323.947</b>
<b>Profit for the period</b>		<b>33.638.502</b>	<b>21.988.776</b>
<b>Adjustments to reconcile profit for the period:</b>			
Adjustments related to depreciation and amortization expenses	8-9	688.780	566.115
Adjustments related to provisions		1.503.911	1.798.715
-Adjustments related to provision for doubtful receivable expense	6	(77.837)	18.704
-Adjustments related to provision for retirement pay expense		130.412	512.114
-Adjustments related to provision for unused vacation expense		128.894	243.335
-Adjustments related to provision for personnel dividend		1.311.221	1.054.940
-Adjustments related to provision for provision for payables	10	11.221	(30.378)
Adjustments related to tax expense/income		8.839.709	5.951.243
-Adjustments related to current tax expense	11	8.870.497	4.586.429
-Adjustments related to deferred tax income/(expense)	11	(30.788)	1.364.814
Adjustments related to interest income and expenses		(842.692)	10.905.481
-Adjustments related to interest income	15	(57.241.780)	(42.835.226)
-Adjustments related to interest expenses	15	56.399.088	53.740.707
Appreciation in investments accounted for using equity method		-	(1.090.810)
Adjustments Related to Fair Value Losses (Gains)		488.733	(7.125.204)
-Adjustments Related to Fair Value Losses (Gains) of Derivative Financial Instruments		488.733	(7.125.204)
Other adjustments related to profit and loss reconciliation		(415.272)	(226.533)
-Dividend income from associates		(415.272)	(226.533)
<b>Changes in working capital</b>			
Adjustments related to increase/decrease in trade receivables		(463.482.582)	(17.208.105)
Adjustments related to increase/decrease in trade payables		469.167.332	(1.591.325)
Increase/decrease in financial investments (short-term financial		30.449.517	(1.802.703)
Adjustments related to other increase/decrease in working capital		(38.707.494)	6.792.890
Adjustments related to increase/decrease in lease payables		179.779	-
<b>Cash flows from operating activities</b>			
Interests received		57.307.822	44.194.814
Dividends received		415.272	225.000
Tax (payments)/returns	11	(1.348.785)	(6.547.307)
Personnel premium paid		(2.109.880)	(1.800.000)
Employment termination benefit paid		-	(256.057)
Unused vacation provision paid		(161)	(451.043)
<b>B. Cash flows from investing activities:</b>		<b>12.576.526</b>	<b>(1.720.521)</b>
Increase/decrease in financial investments (long-term financial		13.125.000	(139.562)
Cash outflows from the purchase of property, plant and equipment	8	(425.537)	(1.056.314)
Cash outflows from the purchase of intangible assets	9	(122.937)	(524.645)
<b>C. Cash flows from financing activities</b>		<b>(158.141.602)</b>	<b>(112.382.419)</b>
Net proceeds from borrowings		(52.355.826)	(56.224.148)
Interest paid		(56.022.763)	(52.058.271)
Dividends paid	12	(49.763.013)	(4.100.000)
<b>Net decrease in cash and cash equivalents before the effect of foreign currency translation differences (A+B+C)</b>		<b>(49.792.585)</b>	<b>(59.778.993)</b>
<b>D. Effects of foreign currency translation differences on cash and cash equivalents</b>		<b>374.441</b>	<b>2.884.248</b>
<b>Net decrease in cash and cash equivalents (A+B+C+D)</b>		<b>(49.418.144)</b>	<b>(56.894.745)</b>
<b>E. Cash and cash equivalents at the beginning of the period</b>	<b>3</b>	<b>94.005.575</b>	<b>708.142.622</b>
<b>(A+B+C+D+E)</b>	<b>3</b>	<b>44.587.431</b>	<b>651.247.877</b>

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



**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
**Notes to the Condensed Financial Statements**  
**for the Period Ended 30 June 2019**  
(Currency: Turkish Lira ("TL") unless otherwise indicated.)

**1 Organization and operations of the Company**

Halk Yatırım Menkul Değerler A.Ş. (the "Company") was established on 2 September 1997. The purpose of the Company is to carry out capital market activities in accordance with the provisions of the Capital Markets Law and the relevant legislation.

Under the 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 carries out its activities as "Broad Authorized Intermediary Firm".

The Company has been authorized to carry out investment services and activities by being classified as "Broad Authorized Intermediary Firm" according to Capital Market Law's 15 October 2015 dated 2015/27 numbered board release.

The Company operates with 9 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.

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

As at 30 June 2019, the Company has 130 employees (30 June 2018: 140)

	<b>30 June 2019</b>	<b>31 December 2018</b>
T. Halk Bankası A.Ş.	99.96%	99.96%
Other	0.04%	0.04%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

**Approval of the Financial Statements:**

Board of Directors has approved the financial statements and delegated authority for publishing it on 8 August 2019.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
**Notes to the Condensed Financial Statements**  
**for the Period Ended 30 June 2019**  
(Currency: Turkish Lira ("TL") unless otherwise indicated.)

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**2 Basis of presentation of financial statements**

***Basis of presentation***

**Statement of Compliance in TFRS**

The accompanying financial statements are prepared in accordance with Communiqué Serial II, No: 14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, financial statements are prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") issued by Public Oversight Accounting and Auditing Standards Authority ("POA").

The financial statements of the Company are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations.

The financial statements are prepared on a historical cost basis except for the financial assets at fair value through profit or loss, derivative financial instruments and financial assets at fair value through profit or loss. The historical cost is generally based on the fair value of the consideration paid for the assets.

**Currency Used**

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

**Preparation of financial statements in hyperinflationary periods**

The CMB, with its resolution dated 17 March 2005, declared that companies operating in Turkey which prepares their financial statements in accordance with the CMB Financial Reporting Standards would not be subject to the application of inflation accounting. Accordingly, "Financial Reporting in Hyperinflationary Economies" Standard numbered 29 ("TAS 29") was not applied since 1 January 2005.

**Comparative Information and Adjustments to Previous Financial Statements**

To identify trends regarding financial position and performance, the Company's financial statements are prepared in comparison to the ones for the previous period. In case of necessity, comparative information is reclassified, and significant changes are disclosed to ensure consistency with the principles used in the presentation of current period consolidated financial statements.

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 2018 and sold on 31 January 2019. Therefore, it has not been consolidated in the financial statements of 30 June 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 Condensed Financial Statements**  
**for the Period Ended 30 June 2019**  
(Currency: Turkish Lira ("TL") unless otherwise indicated.)

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

***Changes in Accounting Estimates and Errors (cont'd)***

If any significant accounting errors are found out, changes are applied retrospectively and prior year's financial statements are restated. In current year, the Company has not found out any accounting error.

**New and Amended Turkish Financial Reporting Standards**

a) Amendments to TFRSs that are mandatorily effective from 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 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 IFRS 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 IAS 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

Within the scope of TFRS 16 the Company plans not to reassess by making use of the practical expedient available on transition to TFRS 16, the contracts signed before 1 January 2019 and considered as leasing contract under TMS 17 and TFRS Interpretation 4.

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 Condensed Financial Statements**  
**for the Period Ended 30 June 2019**  
(Currency: Turkish Lira ("TL") unless otherwise indicated.)

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

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

a) **Amendments to TFRSs that are mandatorily effective from 2019 (cont'd)**

**IFRS 16 Leases (cont'd)**

**Impact on Lessee Accounting**

*Operating leases*

IFRS 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 IFRS 16, for all lease (except as noted below), the Company has:

- a) **Recognised right-of-use assets and lease liabilities in the consolidated 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 consolidated 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 consolidated 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 IFRS 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 IFRS 16.**

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

*Finance leases*

The main differences between IFRS 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. IFRS 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 IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 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 IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease **by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under TAS 17).**

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

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

a) **Amendments to TFRSs that are mandatorily effective from 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 *Employee Benefits***

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.

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

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

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

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

TFRS 17	<i>Insurance Contracts</i>
Amendments to TFRS 3	<i>Business Combinations</i>
Amendments to TAS 1	<i>Presentation of Financial Statements</i>
Amendments to TAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>

**TFRS 17 Insurance Contracts**

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2021.

**Amendments to TFRS 3 Business Combinations**

The definition of "business" is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of "business" in TFRS 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 group of assets.

**Amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material**

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

**Effects of revised accounting policies**

In this note, the new accounting policies, which the Company has started to apply as of 1 January 2019, have been disclosed with the effect of application of TFRS 16 Leases standard on the Company's financial statements.

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

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

**a) The Effects of Accounting Policy Changes 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. The effects of the amendments as of 1 January 2019 are as follows:

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 5,745,246 TL
- Deferred tax assets – increase by TL 39,551
- Lease liabilities – increase by TL 5,925,024

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

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

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

**a) The Effects of Accounting Policy Changes on the Company's Financial Statements (cont'd)**

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.

**Significant accounting policies - TFRS 16 Leases**

The Company leases various offices, warehouses, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 5 years, the lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payment that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.



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

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

**a) The Effects of Accounting Policy Changes on the Company's Financial Statements (cont'd)**

**Significant accounting policies - TFRS 16 Leases (cont'd)**

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

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**3 Cash and cash equivalents**

Cash and cash equivalents as of 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019	31 December 2018
Banks	34,322,705	80,329,324
- Time deposit	14,031,030	61,541,772
- Demand deposit	20,291,675	18,787,552
Receivables from reverse repo transactions	26,427,853	27,981,023
Provision for expected credit loss (-)	(8,150)	-
<b>Total cash and cash equivalents on statement of financial position</b>	<b>60,742,408</b>	<b>108,310,347</b>
Interest income discount on cash and cash equivalents	(26,730)	(92,772)
Provision for expected credit loss on cash and cash equivalents	8,150	-
Customer deposits (1)	(16,136,397)	(14,212,000)
<b>Cash and cash equivalents on statement of cash flows</b>	<b>44,587,431</b>	<b>94,005,575</b>

(1) TL 16,136,397 (31 December 2018: TL 14,212,000) of bank deposit consists of the demand deposit assets of the Company which has not diverted to an investment as of 30 June 2019.

As of 30 June 2019, TL 13,726,180 of time deposit (31 December 2018: TL 61,541,772) and TL 18,678,957 of demand deposit (31 December 2018: TL 17,662,463) is at T. Halk Bankası A.Ş. the main shareholder of the Company.

As of 30 June 2019, the interest rate applied to reverse repurchase agreements is 23.99% and their maturities are 3 days (31 December 2018: 23.33% with 2-16 days of maturity).

As of 30 June 2019 and 31 December 2018, the details of time deposit of the Company are as follows:

30 June 2019				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
T. Halk Bankası A.Ş.	23.25%	1 July 2019	TL	13,726,180
Other	22.00%	1 July 2019	TL	304,850
<b>Total</b>				<b>14,031,030</b>

  

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
<b>Total</b>				<b>61,541,772</b>

As at 30 June 2019 and 31 December 2018, there is no blockage on cash and cash equivalents of the Company.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
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4

**Financial investments**

**Short-term financial investments**

As of 30 June 2019 and 31 December 2018, short-term financial investments are as follows:

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

	30 June 2019		31 December 2018	
	Nominal value	Carrying value	Nominal value	Carrying value
Shares	21,432,345	19,503,434	17,195,003	19,499,133
Private sector bonds	2,194,000	2,219,451	27,090,000	27,362,754
Government bonds	1,126,708	1,132,607	6,700,000	6,443,122
<b>Total</b>		<b>22,855,492</b>		<b>53,305,009</b>

**Long-term financial investments**

As of 30 June 2019 and 31 December 2018, long-term financial investments are as follows:

**Financial assets at fair value through other comprehensive income**

	30 June 2019		31 December 2018	
	Carrying value	Ownership (%)	Carrying value	Ownership (%)
Share investments				
Borsa İstanbul A.Ş. <sup>(1)</sup>	1,517,254	0.038	1,517,254	0.038
Halk Faktoring A.Ş.	1,758,840	1.240	1,758,840	1.240
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	246,067	0.038	226,641	0.038
Halk Finansal Kiralama A.Ş. <sup>(2)</sup>	5	0.000	5	0.000
<b>Total</b>	<b>3,522,166</b>		<b>3,502,740</b>	

<sup>(1)</sup> 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.

<sup>(2)</sup> Stated at cost in the financial statements.

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**5 Related party disclosures**

**Receivables from related parties and payables to related parties**

Assets from related parties and liabilities to related parties as of 30 June 2019 and 31 December 2018 are as follows:

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

	30 June 2019	31 December 2018
<b>Cash and cash equivalents</b>		
T. Halk Bankası A.Ş.	32,405,137	79,204,235
-Time deposits	13,726,180	61,541,772
-Demand deposits	18,678,957	17,662,463
<b>Financial investments</b>		
Halk Sigorta A.Ş.	19,503,434	19,499,133
-Stock shares	19,503,434	19,499,133
Halk Faktoring A.Ş.	1,758,840	1,758,840
-Stock shares	1,758,840	1,758,840
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	246,067	226,641
-Stock shares	246,067	226,641
T.Halk Bankası A.Ş.	103,066	-
-Commercial Paper	103,066	-
Halk Finansal Kiralama A.Ş.	5	5
-Stock shares	5	5
<b>Total</b>	<b>54,016,549</b>	<b>100,688,854</b>

	30 June 2019	31 December 2018
<b>Trade receivables from related parties</b>		
T.Halk Bankası A.Ş.	1,657,757	23,600
Halk Portföy Yönetimi A.Ş. Fonları	-	14,661
Halk Portföy Yönetimi A.Ş.	-	19,353
Halk Sigorta A.Ş.	5,897	5,900
Halk Hayat ve Emeklilik A.Ş.	71,048	21,529
Halk Bank AD Skopje	-	143,724
<b>Total</b>	<b>1,734,702</b>	<b>228,767</b>

	30 June 2019	31 December 2018
<b>Payables to related parties</b>		
Halk Sigorta A.Ş.	39,545	957,600
T. Halk Bankası A.Ş.	5,157	4,095
Bileşim Alternatif Dağıtım Kanalları A.Ş.	3,351	3,037
Halk Hayat ve Emeklilik A.Ş.	4,396	-
<b>Total</b>	<b>52,449</b>	<b>964,732</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
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**5 Related party disclosures (cont'd)**  
**Transactions with related parties**  
Transactions with related parties for the periods ended 30 June 2019 and 30 June 2018 are as follows:

**Income from related parties**

	<b>1 January – 30 June 2019</b>	<b>1 April – 30 June 2019</b>	<b>1 January – 30 June 2018</b>	<b>1 April – 30 June 2018</b>
<b><u>T. Halk Bankası A.S.</u></b>				
Commission income on public offerings brokerage	9,238,630	6,140,630	6,650,000	2,795,000
Interest income on deposits	5,386,672	648,217	32,097,125	3,845,199
Consultancy service income	510,000	265,000	160,000	90,000
Reimbursement income on bonds	26,073	26,073	277,669	277,669
Commission income from brokerage	1,204,030	1,204,030		
<b><u>Halk Emeklilik Fonları</u></b>				
Brokerage commission income	1,283,470	762,038	822,330	268,523
<b><u>Halk Portföy Fonları</u></b>				
Brokerage commission income	-	-	348,903	157,755
Fund sales distribution commission income	-	-	147,816	68,525
<b><u>Halk Gayrimenkul Yatırım Ortaklığı A.S.</u></b>				
Commission income on public offerings brokerage	-	-	160,000	-
Consultancy service income	-	-	105,000	105,000
<b><u>Halk Finansal Kiralama A.S.</u></b>				
Commission income on public offerings brokerage	543,750	156,250	702,500	212,500
<b><u>Halk Sigorta A.S.</u></b>				
Consultancy service income	30,000	15,000	30,000	15,000
Brokerage commission income	98	-	69	6
<b><u>Halk Hayat ve Emeklilik A.S.</u></b>				
Consultancy service income	60,000	60,000	-	-
Brokerage commission income	47	-	69,863	26,274
<b><u>Halk Portföy Yönetimi A.S.</u></b>				
Income from the sale of subsidiary	3,500,427	-	-	-
Service income	11,601	11,601	58,213	27,969
<b><u>Halk Varlık Kiralama A.S.</u></b>				
Sukuk issuance brokerage commission income	2,377,500	1,502,500	625,000	625,000
<b><u>Bileşim Alternatif Dağıtım Kanalları A.S.</u></b>				
Brokerage commission income	-	-	93	-
<b><u>Halk Faktoring A.S.</u></b>				
Commission income on public offerings brokerage	210,000	-	297	204
<b>Total</b>	<b>24,382,297</b>	<b>10,791,338</b>	<b>42,254,878</b>	<b>8,514,624</b>

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

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**5 Related party disclosures (cont'd)**

**Transactions with related parties (cont'd)**

**Payables to related parties**

	<b>1 January – 30 June 2019</b>	<b>1 April – 30 June 2019</b>	<b>1 January – 30 June 2018</b>	<b>1 April – 30 June 2018</b>
<b><u>T. Halk Bankası A.S.</u></b>				
Rent expenses	862,965	403,984	746,032	374,970
Common expense contribution expense	366,573	202,051	209,419	107,534
Commissions of guarantee letter	30,240	15,831	12,985	6,704
Bank charges	27,242	15,067	24,490	4,121
<b><u>Halk Sigorta A.S.</u></b>				
Personnel expenses (Health/insurance expenses)	537,227	273,786	414,626	212,619
Repo interest expense	19,390	-	17,793	14,528
<b><u>Halk Hayat ve Emeklilik A.S.</u></b>				
Common expense contribution expense	19,621	6,386	17,659	2,830
Personnel expenses (Death insurance expenses)	21,731	11,139	19,505	7,444
Repo interest expense	1,950	482	17,523	6,919
<b><u>Bileşim Alternatif Dağıtım Kanalları A.S.</u></b>				
Service expense	12,404	2,412	18,516	11,770
Repo interest income	705	-	4,587	2,801
<b>Total</b>	<b>1,900,048</b>	<b>931,138</b>	<b>1,503,135</b>	<b>752,240</b>

**Benefits provided to key management**

The key personnel received remuneration and fees amounting in total TL 1,417,302 for the period ended 30 June 2019 (30 June 2018: TL 1,494,118).

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**6 Trade receivables and payables**

**Trade receivables**

As of 30 June 2019 and 31 December 2018 trade receivables of the Company are as follow:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Receivables from loan customers <sup>(1)</sup>	52,905,764	64,478,434
Futures and options market collaterals	502,296,923	30,095,390
Leveraged trade collaterals	8,053,656	7,348,084
Receivables from customers	1,041,792	606,785
Collaterals of borrowed securities	860,175	575,133
Due from related parties (Note 5)	1,734,702	228,767
Doubtful trade receivables	353,746	564,173
Provision for doubtful trade receivables	(353,746)	(564,173)
<b>Total</b>	<b>566,893,012</b>	<b>103,332,593</b>

<sup>(1)</sup> As of 30 June 2019, the average interest rate applied to the loan customers is 29.66% (31 December 2018: 30.76%).

The movement of the provision of doubtful receivables of the Company as of 30 June 2019 and 30 June 2018 is as follow:

	<b>1 January - 30 June 2019</b>	<b>1 January - 30 June 2018</b>
Beginning of the period	564,173	228,235
Provisions during the period	-	18,704
Collected in the period	(132,590)	(75,524)
Provision released	(77,837)	-
<b>End of the period</b>	<b>353,746</b>	<b>171,415</b>

**Trade payables**

As of 30 June 2019 and 31 December 2018, trade payables of the Company is as follow:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Leveraged trade collaterals	7,199,599	6,795,142
Futures and options market collaterals	493,908,821	28,724,907
Payables to customers	25,922,286	22,071,531
Sellers	1,827,261	1,471,814
Payables to related parties (Note 5)	52,449	964,732
Guarantees received for securities lent	860,175	575,133
<b>Total</b>	<b>529,770,591</b>	<b>60,603,259</b>

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**  
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**7 Borrowings**

As of 30 June 2019 and 31 December 2018, the detail of the Company's borrowings are as follows:

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

As of 30 June 2019, the Company does not have any issued bonds, notes and bills. (31 December 2018: TL 52,355,826).

**8 Property, plant and equipment**

The movement of property, plant and equipment for the years ended 30 June 2019 and 30 June 2018, is as follows:

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
<b>Cost</b>				
Opening balance, 1 January 2018	2,654,057	1,887,887	2,565,123	7,107,066
Additions	911,581	137,947	6,786	1,056,314
Disposals	(14,120)	(87,391)	-	(101,511)
<b>Closing balance, 30 June 2018</b>	<b>3,551,518</b>	<b>1,938,443</b>	<b>2,571,909</b>	<b>8,061,869</b>
Opening balance, 1 January 2019	3,613,190	1,938,443	2,571,909	8,123,541
Additions	366,634	19,907	38,996	425,537
<b>Closing balance, 30 June 2019</b>	<b>3,979,824</b>	<b>1,958,350</b>	<b>2,610,905</b>	<b>8,549,078</b>
<b>Accumulated depreciation</b>				
Opening balance, 1 January 2018	1,210,591	1,693,902	2,111,047	5,015,540
Charge for the period	291,741	49,554	101,950	443,245
Disposals	(14,120)	(87,391)	-	(101,511)
<b>Closing balance, 30 June 2018</b>	<b>1,488,212</b>	<b>1,656,065</b>	<b>2,212,997</b>	<b>5,357,274</b>
Opening balance, 1 January 2019	1,833,696	1,706,150	2,312,008	5,851,854
Charge for the period	353,741	43,923	79,310	476,974
<b>Closing balance, 30 June 2019</b>	<b>2,187,437</b>	<b>1,750,073</b>	<b>2,391,318</b>	<b>6,328,828</b>
<b>Net carrying value</b>				
30 June 2018	2,063,306	282,378	358,912	2,704,595
30 June 2019	1,792,387	208,277	219,587	2,220,250

During the six months interim period ended on 30 June 2019, purchase of property, plant and equipment amounting to TL 425,537 has been realized (30 June 2018: TL 1,056,314).

As of 30 June 2019, total insurance on property, plant and equipment is TL 7,608,598 (30 June 2018: TL 8,616,186).



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**9 Intangible assets**

The movement of intangible assets for the years ended 30 June 2019 and 30 June 2018 is as follows:

	<b>Software</b>
<b>Cost value</b>	
Opening balance, 1 January 2018	2,491,495
Additions	524,645
<b>Closing balance, 30 June 2018</b>	<b>3,016,140</b>
Opening balance, 1 January 2019	3,383,786
Additions	122,937
<b>Closing balance, 30 June 2019</b>	<b>3,506,723</b>
<b>Accumulated amortization</b>	
Opening balance, 1 January 2018	2,186,667
Charge for the period	122,870
<b>Closing balance, 30 June 2018</b>	<b>2,309,537</b>
Opening balance, 1 January 2019	2,513,224
Charge for the period	211,806
<b>Closing balance, 30 June 2019</b>	<b>2,725,030</b>
<b>Net carrying value</b>	
30 June 2018	706,603
30 June 2019	781,693

During the six months interim period ended on 30 June 2019 purchase of intangible assets amounting to TL 122,937 has been realized (30 June 2018: TL 524,645).

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**10 Provisions, contingent assets and liabilities**

**Other short-term provisions**

As at 30 June 2019 and 31 December 2018, provisions for short-term liabilities are as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Provision for litigation	671,100	619,500
Expenses payable	10,660	4,030
Common expense contribution share	54,155	100,245
Other expense provisions	67,202	68,121
<b>Total</b>	<b>803,117</b>	<b>791,896</b>

**Off balance sheet liabilities**

As at 30 June 2019 and 31 December 2018, off balance sheet liabilities are as follows:

**Letter of guarantees given**

	<b>30 June 2019</b>	<b>31 December 2018</b>
Takasbank Money Market Transaction Collaterals (Takasbank)	120,000,000	295,000,000
Borsa İstanbul AŞ (BİST)	80,000	80,000
CMB	1,776	1,776
Other	80,754	80,754
<b>Total</b>	<b>120,162,530</b>	<b>295,162,530</b>

As of 30 June 2019, the Company has guarantees given to liquidity providers Stock in order to perform transaction on foreign marketable securities market amounting to USD 2,000,000 (31 December 2018: USD 2,000,000).

**Other off balance sheet liabilities**

As of 30 June 2019 there are futures and options market transaction collaterals amounting to TL 493,908,821 TL held at Takasbank (31 December 2018: TL 28,724,907).

<b>Items held in custody (nominal)</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Stock share	2,336,527,737	2,035,022,878
Warrants	7,039,446	5,236,369
Other securities	2,391,866,224	1,219,838,385
Futures and options market contracts (number)	529,068	43,040

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

**Other off balance sheet liabilities (cont'd)**

As at 30 June 2019 and 31 December 2018 open position transactions made on behalf of the customers in futures and options market are as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Open transaction amount	2,744,650,181	98,928,518

**Lawsuits**

As at 30 June 2019, total risk of lawsuits sued against the Company are amounting to approximately TL 671,100 (31 December 2018: TL 730,318) and TL 671,100 of provision is provided for these lawsuits on the financial statements (31 December 2018: TL 730,318).

	<b>1 January – 30 June 2019</b>	<b>1 January – 30 June 2018</b>
Beginning of the period	619,500	798,211
Increase in the period	51,600	14,448
Provision released	-	(82,341)
<b>End of the period</b>	<b>671,100</b>	<b>730,318</b>

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**11 Tax assets and liabilities**

As of 30 June 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 come into force 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.

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**11 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 30 June 2019 and 30 June 2018:

	<b>1 January – 30 June 2019</b>	<b>1 April – 30 June 2019</b>	<b>1 January – 30 June 2018</b>	<b>1 April – 30 June 2018</b>
Profit before tax	42,478,211	20,610,537	27,940,019	13,170,665
Corporate tax calculated with statutory tax rate (22%)	9,345,206	4,534,318	6,146,804	2,897,546
Non-deductible expenses	34,513	(111,104)	20,494	12,180
Non-taxable income	(540,010)	(6,131)	(247,930)	(243,900)
Effect of temporary difference of future corporate tax	-	56,284	31,875	(25,468)
<b>Tax expense</b>	<b>8,839,709</b>	<b>4,473,367</b>	<b>5,951,243</b>	<b>2,640,358</b>

Details of tax expense for the years ended 30 June 2019 and 30 June 2018 are as follows:

	<b>1 January – 30 June 2019</b>	<b>1 April – 30 June 2019</b>	<b>1 January – 30 June 2018</b>	<b>1 April – 30 June 2018</b>
Current tax expense	(8,870,497)	(4,094,715)	(4,586,429)	1,137,508
Deferred tax (expense)/income	30,788	(378,652)	(1,364,814)	(3,777,866)
<b>Tax expense</b>	<b>(8,839,709)</b>	<b>(4,473,367)</b>	<b>(5,951,243)</b>	<b>(2,640,358)</b>

As at 30 June 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.

	<b>30 June 2019</b>	<b>31 December 2018</b>
Transfer from previous period	10,857,985	2,841,441
Current period corporate tax expense	(8,870,497)	(16,837,361)
Taxes paid	1,348,785	24,853,905
<b>Current tax (liabilities) / assets</b>	<b>3,336,273</b>	<b>10,857,985</b>

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**11 Tax assets and liabilities (cont'd)****Deferred tax**

As at 30 June 2019 and 31 December 2018, details of net deferred tax assets and liabilities are as follows:

	30 June 2019	31 December 2018
<b>Deferred tax assets</b>		
Provision for employment termination benefit	410,196	384,113
Provision for unused vacation	229,516	137,771
Provision for personnel dividend premium	288,469	464,174
Provision for doubtful receivables	7,581	124,118
Provision for litigation	147,642	123,900
TFRS 9 adjustment effect	12,214	-
TFRS 16 effect	39,551	-
<b>Total deferred tax assets</b>	<b>1,135,169</b>	<b>1,234,076</b>
<b>Deferred tax liabilities</b>		
Financial investments	(1,694,110)	(1,751,944)
Effect of depreciation and amortization method difference between tax regulations on financial reporting on tangible and intangible assets	(159,166)	(123,506)
Derivative financial instruments	-	(107,521)
<b>Total deferred tax liability</b>	<b>(1,853,276)</b>	<b>(1,982,971)</b>
<b>Net deferred tax asset / (liability)</b>	<b>(718,107)</b>	<b>(748,895)</b>

**12 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 30 June 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.

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**12 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.

**Retained earnings**

As of 30 June 2019, the Company has retained earnings profit amounting to TL 10,097,081 (31 December 2018: TL 6,141,008).

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**Revenue and cost of sales**

Income from operating activities for the years ended 30 June 2019 and 30 June 2018 is as follows:

	<b>1 January – 30 June 2019</b>	<b>1 April – 30 June 2019</b>	<b>1 January – 30 June 2018</b>	<b>1 April – 30 June 2018</b>
<b>Sales revenue</b>				
Government bond sales	135,225,099	126,710,202	43,375,659	25,956,934
Government bond repo sales	-	-	1,500,000	1,500,000
Asset backed securities purchases	25,236,739	-	-	-
Shares and temporary certificate purchases	699,114	569,188	11,881,923	237,866
Private sector bond sales	12,595,966	10,894,988	557,258,904	390,712,112
Bank bond sales	-	-	326,562	298,547
Sukuk rent certificate sales	-	-	83,891,049	-
Commercial bills sales	50,477,517	29,467,690	764,738,666	340,621,611
Eurobond sales	14,225,252	7,047,282	7,169,819	7,169,819
Brokerage warrant sales	-	-	9,064	-
<b>Total sales revenue</b>	<b>238,459,687</b>	<b>174,689,350</b>	<b>1,470,151,646</b>	<b>766,496,889</b>
<b>Services</b>				
Share transactions brokerage commissions	18,330,891	8,015,845	22,200,072	10,067,281
Interest income from customers	8,854,384	4,260,726	6,980,551	3,973,132
Public and issued commissions	12,599,880	7,804,380	9,099,864	3,996,639
Commissions on common stock trading	59,100	30,141	94,615	47,187
Repo-reverse repo brokerage commissions	1,198,479	586,383	497,344	182,804
Takasbank Money Market brokerage commissions	274,403	69,799	132,837	94,282
Futures and options market transaction brokerage commissions	3,440,664	2,165,367	2,132,135	1,292,216
ÖPP and other commission income	120,889	61,231	133,117	45,735
Leveraged income	1,576,268	842,073	1,942,913	980,767
Funds sales commission	123,790	53,689	157,081	73,045
Portfolio management and consultancy service income	692,278	343,532	463,700	157,700
<b>Total service revenue</b>	<b>47,271,026</b>	<b>24,233,166</b>	<b>43,834,229</b>	<b>20,910,788</b>
<b>Discounts on service revenues</b>				
Branch and customer commission returns	-	-	(17,010)	(286)
<b>Discounts on total service revenue</b>	<b>-</b>	<b>-</b>	<b>(17,010)</b>	<b>(286)</b>
<b>Total sales revenue</b>	<b>285,730,713</b>	<b>198,922,516</b>	<b>1,513,968,865</b>	<b>787,407,391</b>
<b>Cost of sales</b>				
Government bond purchases	134,650,924	126,277,621	43,236,694	25,936,071
Government bond repo purchases	-	-	1,500,000	1,500,000
Asset backed securities purchases	25,000,000	-	-	-
Shares and temporary certificate purchases	702,232	569,745	11,780,663	239,062
Private sector bond purchases	12,587,073	10,887,073	557,207,857	390,683,708
Bank bond purchases	-	-	326,562	298,547
Sukuk rent certificate purchases	-	-	83,891,047	-
Commercial bills purchases	50,422,025	29,443,360	762,217,117	338,836,508
Eurobond purchases	14,170,423	7,004,947	7,155,211	7,155,211
Brokerage warrant purchases	-	-	9,198	9,198
<b>Total cost of sales</b>	<b>237,532,677</b>	<b>174,182,746</b>	<b>1,467,324,349</b>	<b>764,658,305</b>
<b>Gross profit</b>	<b>48,198,036</b>	<b>24,739,770</b>	<b>46,644,516</b>	<b>22,749,086</b>



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**General administrative and marketing expenses**

General administrative expenses for the years ended 30 June 2019 and 30 June 2018 are as follows:

<i>General administrative income</i>	<b>1 January – 30 June 2019</b>	<b>1 April – 30 June 2019</b>	<b>1 January – 30 June 2018</b>	<b>1 April – 30 June 2018</b>
Personnel expenses	13,561,140	7,049,433	11,463,771	5,677,791
-Salaries	9,634,690	5,016,997	8,234,165	4,118,869
-Personnel insurance and premium expenses	2,297,720	1,257,479	1,780,829	905,259
-Personnel service expenses	252,886	131,049	184,279	41,788
-Personnel employment termination expense.	130,412	128,290	292,723	210,521
-Personnel employment termination paymen	-	-	36,666	36,666
-Personnel food expenses	365,929	182,022	307,397	151,951
-Other personnel expenses	879,503	333,596	664,378	249,403
Data display and distribution expenses	682,834	419,980	715,865	348,954
Rent expenses	1,269,077	633,161	828,052	410,365
Depreciation expenses and amortization	688,780	351,719	566,115	304,899
Outsourced benefits and services	1,414,742	828,949	1,056,546	614,873
Communication expenses	649,826	321,954	700,186	296,996
Taxes and fees	782,336	486,949	677,885	464,591
T. Halk Bankası A.Ş. common expense share	383,716	141,748	194,250	99,538
Audit and consultancy expenses	157,414	63,387	74,602	46,863
Vehicle rent and fuel expenses	517,739	266,042	441,736	228,483
Maintenance expenses	195,377	145,764	282,999	174,811
Representation and entertainment expenses	90,657	58,083	61,519	38,858
Other	343,595	210,265	309,070	225,435
<b>Total</b>	<b>20,737,233</b>	<b>10,977,434</b>	<b>17,372,596</b>	<b>8,932,457</b>

Marketing expenses for the years ended 30 June 2019 and 30 June 2018 are as follows:

<i>Marketing expenses</i>	<b>1 January – 30 June 2019</b>	<b>1 April – 30 June 2019</b>	<b>1 January – 30 June 2018</b>	<b>1 April – 30 June 2018</b>
Stock exchange expenses	3,437,868	1,757,857	2,587,611	1,274,149
Data display and distribution expenses	1,839,943	879,804	1,629,733	903,294
Commercial bills issue expenses	604,438	120,054	284,631	146,592
Commission and service expenses	783,745	465,877	682,465	336,631
Advertisement, publication and rent expenses	307,847	137,239	483,099	394,297
Stock exchange and union fees	163,310	81,655	155,132	76,051
Stock exchange remote access expense	191,219	135,800	109,532	64,018
Sponsorship expenses	50,000	25,000	43,333	23,333
Internet ve website expenses	9,598	-	45,014	23,511
Other	33,311	16,973	27,967	14,549
<b>Total</b>	<b>7,421,279</b>	<b>3,620,259</b>	<b>6,048,517</b>	<b>3,256,425</b>

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**Finance income and expenses**

As of 30 June 2019 and 30 June 2018, the details of financial income and expenses are as follows:

<i>Finance expenses</i>	<b>1 January – 30 June 2019</b>	<b>1 April – 30 June 2019</b>	<b>1 January – 30 June 2018</b>	<b>1 April – 30 June 2018</b>
Deposit interest income	5,386,672	653,787	32,097,125	12,865,985
Reverse repo interest income	26,765,385	14,861,009	9,197,525	4,497,371
Fixed income securities depreciation, coupon rate and discount income	1,178,036	299,612	1,285,454	620,261
Futures and options market and other collateral interest income	2,065,457	1,540,402	201,982	155,743
Takasbank money market interest income	21,846,230	21,437,101	53,140	53,140
Income from derivative transactions	16,562,248	115,889	15,434,159	9,877,427
Exchange differences income	6,542,194	2,909,438	5,526,292	3,958,803
Stock valuation differences	4,301	4,301		
Other	12,965	-	107,955	17,441
<b>Total</b>	<b>80,363,488</b>	<b>41,821,539</b>	<b>63,903,632</b>	<b>32,046,171</b>

<i>Finance expenses</i>	<b>1 January – 30 June 2019</b>	<b>1 April – 30 June 2018</b>	<b>1 January – 30 June 2019</b>	<b>1 April – 30 June 2018</b>
Takasbank Money Market borrowing and loan interest expenses	5,447,307	-	29,328,279	15,576,181
Commercial bills interest expenses	33,158,925	20,133,093	16,015,804	6,791,977
Repo interest expenses	17,792,856	8,657,820	8,396,624	4,390,073
Exchange differences expenses	5,284,740	2,618,342	3,943,944	2,807,362
Stock valuation differences	-	-	1,802,477	153,026
Letter of guarantee commissions	556,725	242,704	1,094,790	539,556
Other	245	184	67	29
<b>Total</b>	<b>62,240,798</b>	<b>31,652,143</b>	<b>60,581,985</b>	<b>30,258,204</b>

**16 Nature and level of risks related to financial instruments**

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

**16.1 Credit risk**

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

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**16 Nature and level of risks related to financial instruments (cont'd)**

**16.1 Credit risk (cont'd)**

**Credit risks exposed by types of financial instruments:**

30 June 2019	Receivables		Deposits at banks <sup>(1)</sup>	Derivative Financial Instruments	Financial investments <sup>(2)</sup>	
	Trade receivables					Other receivables
	Related party	Other				Other
<b>Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)</b>	<b>1,734,702</b>	<b>565,512,056</b>	<b>51,053,060</b>	<b>60,742,408</b>	<b>-</b>	<b>3,352,058</b>
- Secured portion of the maximum credit risk by guarantees et	-	-	-	-	-	-
<b>A. Net book value of financial assets that are neither past due nor impaired</b>	<b>1,734,702</b>	<b>565,158,310</b>	<b>51,053,060</b>	<b>60,742,408</b>	<b>-</b>	<b>3,352,058</b>
<b>B. Net book value of financial assets of which the terms are renegotiated otherwise which will be regarded as past due or impaired</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Net book value of financial assets that are past due but not impaired</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Secured portion of the maximum credit risk by guarantees et	-	-	-	-	-	-
<b>D. Net book value of the impaired assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Past due (gross amount)	-	353,746	-	-	-	-
- Impairment (-)	-	353,746	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-
- Not passed due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-
<b>D. Off-balance sheet items which include credit risks</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(1) Receivables from reverse repo transactions amounting to TL 26,427,853 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		Deposits at banks <sup>(1)</sup>	Derivative Financial Instruments	Financial investments <sup>(2)</sup>	
	Trade receivables					Other receivables
	Related party	Other				Other
<b>Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)</b>	<b>228,767</b>	<b>103,667,999</b>	<b>17,156,552</b>	<b>108,310,347</b>	<b>488,733</b>	<b>33,805,876</b>
- Secured portion of the maximum credit risk by guarantees et	-	-	-	-	-	-
<b>A. Net book value of financial assets that are neither past due nor impaired</b>	<b>228,767</b>	<b>103,103,826</b>	<b>17,156,552</b>	<b>108,310,347</b>	<b>488,733</b>	<b>33,805,876</b>
<b>B. Net book value of financial assets of which the terms are renegotiated otherwise which will be regarded as past due or impaired</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C. Net book value of financial assets that are past due but not impaired</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Secured portion of the maximum credit risk by guarantees et	-	-	-	-	-	-
<b>D. Net book value of the impaired assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
- Past due (gross amount)	-	564,173	-	-	-	-
- Impairment (-)	-	564,173	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-
- Not passed due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-
<b>D. Off-balance sheet items which include credit risks</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(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.

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**16 Nature and level of risks related to financial instruments (cont'd)****16.2 Liquidity risk**

As of 30 June 2019, the profile of financial liabilities according to their remaining maturities is as follows:

<b>Contractual maturities</b>	<b>Carrying value</b>	<b>Total contractual cash outflows</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>
<b>Non-derivative financial liabilities</b>	<b>529,770,591</b>	<b>529,770,591</b>	<b>529,770,591</b>	-	-
Trade payables	529,770,591	529,770,591	529,770,591	-	-

As of 30 December 2018, the profile of financial liabilities according to their remaining maturities is as follows:

<b>Contractual maturities</b>	<b>Carrying value</b>	<b>Total contractual cash outflows</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>
<b>Non-derivative financial liabilities</b>	<b>112,959,085</b>	<b>113,327,261</b>	<b>113,327,261</b>	-	-
Trade payables	60,603,259	60,603,259	60,603,259	-	-
Financial payables	52,355,826	52,724,002	52,724,002	-	-
<b>Derivative financial liabilities</b>	<b>488,733</b>	<b>2,811,000</b>	<b>2,811,000</b>	-	-
Derivative cash inflows	488,733	2,811,000	2,811,000	-	-

As at 30 June 2019 and 31 December 2018, the liquidity requirement of the Company in accordance with Communiqué 34 is as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Current assets (A)	701,405,359	282,037,264
Short-term payables (B)	547,874,464	124,005,831
<b>Current assets/Short-term payables (A/B)</b>	<b>1.28</b>	<b>2.27</b>

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

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**16 Nature and level of risks related to financial instruments (cont'd)****16.3 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 30 June 2019 and 31 December 2018, the Company's foreign currency position is as follows:

	30 June 2019			
	TL equivalent (Functional currency)	US Dollar	Euro	Other
1. Trade receivables	-	-	-	-
2a. Monetary financial assets (Including cash, bank deposit accounts)	2,623,330	454,708	983	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>2,623,330</b>	<b>454,708</b>	<b>983</b>	<b>-</b>
5. Trade receivables	2,647,201	458,856	983	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>2,647,201</b>	<b>458,856</b>	<b>983</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>5,270,531</b>	<b>913,563</b>	<b>1,967</b>	<b>-</b>
10. Trade payables	299,401	42,071	-	7,862
11. Financial liabilities	-	-	-	-
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>299,401</b>	<b>42,071</b>	<b>-</b>	<b>7,862</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>299,401</b>	<b>42,071</b>	<b>-</b>	<b>7,862</b>
<b>19. Net asset/(liability) position of off balance sheet derivative financial instruments (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a. Amount of active foreign derivative currency off-balance sheet	-	-	-	-
19b. Amount of passive foreign derivative currency off-balance	-	-	-	-
<b>20. Net foreign currency assets/liabilities position (9-18+19)</b>	<b>4,971,130</b>	<b>871,493</b>	<b>1,967</b>	<b>(7,862)</b>
<b>21. Monetary items net foreign currency asset/liability position (tfrs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>4,971,130</b>	<b>871,493</b>	<b>1,967</b>	<b>(7,862)</b>
<b>22. Fair value of financial instruments used for currency hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Hedged foreign currency assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24. Hedged foreign currency liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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**16 Nature and level of risks related to financial instruments (cont'd)****16.3 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	-	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>55,450,239</b>	<b>10,538,940</b>	<b>983</b>	<b>-</b>
5. Trade receivables	2,920,857	541,645	983	22,827
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>2,920,857</b>	<b>541,645</b>	<b>983</b>	<b>22,827</b>
<b>9. Total assets (4+8)</b>	<b>58,371,096</b>	<b>11,080,586</b>	<b>1,967</b>	<b>22,827</b>
10. Trade payables	9,542,254	1,812,725	-	1,518
11. Financial liabilities	-	-	-	-
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>9,542,254</b>	<b>1,812,725</b>	<b>-</b>	<b>1,518</b>
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>9,542,254</b>	<b>1,812,725</b>	<b>-</b>	<b>1,518</b>
<b>19. Net asset/(liability) position of off balance sheet derivative financial instruments (19a-19b)</b>	<b>(52,609,000)</b>	<b>(10,000,000)</b>	<b>-</b>	<b>-</b>
19a. Amount of active foreign derivative currency off-balance sheet	-	-	-	-
19b. Amount of passive foreign derivative currency off-balance	52,609,000	10,000,000	-	-
<b>20. Net foreign currency assets/(liabilities) position (9-18+19)</b>	<b>(3,780,158)</b>	<b>(732,139)</b>	<b>1,967</b>	<b>21,309</b>
<b>21. Monetary items net foreign currency asset/(liability) position (tfrs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>48,828,842</b>	<b>9,267,861</b>	<b>1,967</b>	<b>21,309</b>
22. Fair value of financial instruments used for currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-

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**16 Nature and level of risks related to financial instruments (cont'd)****16.3 Market risk (cont'd)***Sensitivity to foreign currency*

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

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

<b>30 June 2019</b>		
	<b>Foreign currency appreciation</b>	<b>Foreign currency depreciation</b>
<u>Change in US Dollar by 10% against TL</u>		
1- US Dollar net asset / liability	501,553	(501,553)
2- Hedged risk (US Dollar) (-)	-	-
<b>3- US Dollar net effect (1+2)</b>	<b>501,553</b>	<b>(501,553)</b>
<u>Change in Euro by 10% against TL</u>		
4- Euro net asset / liability	1,289	(1,289)
5- Hedged risk (Euro) (-)	-	-
<b>6- Euro net effect (4+5)</b>	<b>1,289</b>	<b>(1,289)</b>
<u>Change in other currencies by 10% against TL</u>		
7- Other net asset / liability	(5,729)	5,729
8- Hedged risk (other) (-)	-	-
<b>9- Other net effect (7+8)</b>	<b>(5,729)</b>	<b>5,729</b>
<b>Total (3+6+9)</b>	<b>497,113</b>	<b>(497,113)</b>
<b>31 December 2018</b>		
	<b>Foreign currency appreciation</b>	<b>Foreign currency depreciation</b>
<u>Change in US Dollar by 10% against TL</u>		
1- US Dollar net asset/liability	4,875,729	(4,875,729)
2- Hedged risk (US Dollar) (-)	-	-
<b>3- US Dollar net effect (1+2)</b>	<b>4,875,729</b>	<b>(4,875,729)</b>
<u>Change in Euro by 10% against TL</u>		
4- Euro net asset / liability	1,186	(1,186)
5- Hedged risk (Euro) (-)	-	-
<b>6- Euro net effect (4+5)</b>	<b>1,186</b>	<b>(1,186)</b>
<u>Change in other currencies by 10% against TL</u>		
7- Other net asset / liability	5,970	(5,970)
8- Hedged risk (Other) (-)	-	-
<b>9- Other net effect (7+8)</b>	<b>5,970</b>	<b>(5,970)</b>
<b>Total (3+6+9)</b>	<b>4,882,885</b>	<b>(4,882,885)</b>

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**16 Nature and level of risks related to financial instruments (cont'd)****16.3 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 30 June 2019 and 31 December 2018, in case of having a 20% decrease/increase in Borsa İstanbul stock market index while having all other variables constant, the effects on profit or loss and comprehensive income would be as follows:

30 June 2019	Profit / (loss)		Equity <sup>(*)</sup>	
	Increase by 20%	Decrease by 20%	Increase by 20%	Decrease by 20%
<i>Financial assets at fair value through profit or loss</i>				
- Stock shares	3,900,687	(3,900,687)	3,900,687	(3,900,687)
<i>Financial assets at fair value through other comprehensive income</i>				
- Stock shares	-	-	49,213	(49,213)
<b>Total</b>	<b>3,900,687</b>	<b>(3,900,687)</b>	<b>3,949,900</b>	<b>(3,949,900)</b>

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

31 December 2018	Profit / (loss)		Equity <sup>(*)</sup>	
	Increase by 20%	Decrease by 20%	Increase by 20%	Decrease by 20%
<i>Financial assets at fair value through profit or loss</i>				
- Stock shares	3,899,827	(3,899,827)	3,899,827	(3,899,827)
<i>Financial assets at fair value through other comprehensive income</i>				
- Stock shares	-	-	45,328	(45,328)
<b>Total</b>	<b>3,899,827</b>	<b>(3,899,827)</b>	<b>3,945,155</b>	<b>(3,945,155)</b>

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



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**16 Nature and level of risks related to financial instruments (cont'd)****16.3 Market risk (cont'd)***Interest rate risk*

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

		30 June 2019	31 December 2018
<b>Financial instruments with fixed interest</b>			
Financial assets	Financial assets at fair value through profit or Time deposits at banks	20,096 14,031,030	827,028 61,541,772
Trade receivables	Receivables from reverse repo agreements	26,427,853	27,981,023
Financial liabilities	Receivables from credit customers Financial borrowings	52,905,764 -	64,478,434 52,355,826
<b>Financial instruments with floating interest</b>			
Financial assets	Financial assets at fair value through profit or loss	3,331,962	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. As of 30 June 2019, according to the Company's analysis, in case of 1% interest rate increase or decrease in TL interest rates, on the assumption that all other variables remain constant, the effect of debt securities on the fair value, net profit/(loss) before tax and shareholders' equity is presented in the table below. Sensitivity analysis was applied for 2018 on the same basis.

	Profit / (loss)		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>30 June 2019</b>				
Financial investments	(17,391)	17,669	(17,391)	17,669
<b>31 December 2018</b>				
Financial investments	(1,281,698)	1,357,438	(1,281,698)	1,357,438
<b>30 June 2019</b>				
	<b>Assets</b>	<b>Liabilities</b>	<b>31 December 2018</b>	
			<b>Assets</b>	<b>Liabilities</b>
Swaps	-	-	488,733	-
<b>Total</b>	-	-	<b>488,733</b>	-

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**16 Nature and level of risks related to financial instruments (cont'd)**

**16.4 Capital management**

As of 30 June 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 162,011,897 as of 30 June 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 30 June 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 at 30 June 2019 and 31 December 2018, the risk provision amounts calculated in accordance with the "Communiqué: V, No: 34" are as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Position risk	53,778,113	15,099,814
Counter party risk	17,181,582	16,996,344
Exchange rate risk	47,928	-
<b>Total risk provision</b>	<b>71,007,623</b>	<b>32,096,158</b>

# HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

## Notes to the Condensed Financial Statements

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### Financial instruments

#### Fair value disclosures

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

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

#### Classification of fair value measurement

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

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

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

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

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

In this context, the fair value classification of financial assets and liabilities measured at fair value is as follows:

30 June 2019	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial investments (short-term)	22,855,492	-	-	22,855,492
Financial investments (long-term) (*)	246,067	3,276,094	-	3,522,161

(\*) Equity investments amounting to TL 5 held at cost are not included.

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

(\*) Equity investments amounting to TL 12,500 held at cost are not included.

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#### 17 Financial instruments (cont'd)

##### *Fair value disclosures (cont'd)*

##### *Classification of fair value measurement (cont'd)*

Fair values of Halk Faktoring A.Ş. which is classified as Level 2 are 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 30 June 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.

#### 18 Assets held for sale

On 14 December 2018, the Company's Board of Directors decided to dispose of the shares of Halk Portföy Yönetimi A.Ş. and Ziraat Portföy Yönetim A.Ş. These assets are classified as held for sale as of the balance sheet date and presented separately in the balance sheet.

	30 June 2019	31 December 2018
Assets held for sale	12,500	9,624,573
<b>Total</b>	<b>12,500</b>	<b>9,624,573</b>

Halk Portföy Yönetimi A.Ş. shares, one of the Company's non-current assets held for sale, have been sold on 31 January 2019 for TL 13,125,000.

#### 19 Other matters

As a result of the litigation held in United States of America ("USA") regarding the violation of the Iran sanctions implemented by USA, against the former director of the Türkiye Halk Bankası A.Ş. ("parent Bank"), which is one of the main shareholders of the Company, the former director has been found guilty of some of the changes made against him by the court of law as of 16 May 2018 and sentenced to imprisonment. The former manager was released on 19 July 2019. The appeal process of the case continues.

The parent Bank is neither a party of the litigation nor it directly interferes with the litigation. There are no fiscal or judicial decisions regarding parent Bank made by the court.

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.

**HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**

**Notes to the Condensed Financial Statements**

**for the Period Ended 30 June 2019**

(Currency: Turkish Lira ("TL") unless otherwise indicated.)

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**19 Other matters (cont'd)**

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").

**20 Events after the reporting period**

None.