

**HALK YATIRIM MENKUL DEĞERLER
ANONİM ŞİRKETİ**

FINANCIAL STATEMENTS AS OF
31 DECEMBER 2020 AND
INDEPENDENT AUDITOR'S REPORT

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

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

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Halk Yatırım Menkul Değerler A.Ş. ("the Company") which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRSs").

2) Basis for Opinion

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

3) **Emphasis of Matter**

As further disclosed in Note 24, we emphasize the following matters from which the Parent Bank may be affected:

On 15 October 2019, the New York Southern District Attorney General of the United States (“US”) Department of Justice prepared an indictment and filed a lawsuit against the Parent Bank in the New York Southern District Court (“District Court”) for alleged violations of Iranian sanctions. This criminal lawsuit action is ongoing.

In addition, a civil lawsuit was filed against the Parent Bank on 27 March 2020 with a claim for compensation by plaintiffs in the U.S. New York Southern District Court “on the grounds that they (plaintiffs) could not satisfy their judgements from Iran due to violations of sanctions” and it was served to the Parent Bank’s lawyers on 1 July 2020. The civil lawsuit action at the District Court is ongoing.

In addition, the appeal process of the case which resulted in the conviction of the defendant former executive of the Parent Bank, who was released on 19 July 2019 and returned to Turkey, is completed. The decision related to the conviction was upheld.

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

4) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
<p>Revenue recognition</p> <p>The Company has revenue amounting to total TL 6,129,744,982 recognized under “sales income” in its statement of profit or loss and other comprehensive income for the period 1 January – 31 December 2020. The related income is disclosed in Note 2 and 17.</p> <p>Due to the excessive amount of the line item of sales income under the statement of profit or loss and other comprehensive income, and since the revenue amount arises from different transactions such as sales commissions, commission income from public offerings, loan interest income, real estate sales and consultancy income, the matter is considered as a key audit matter.</p>	<p>Within the scope of the audit procedures applied by us related to the revenue recognition as a part of our audit procedures, the revenue process of the Company is understood and the design and implementation of internal controls applied by the management for recognition of revenue according to the relevant accounting policies were tested. The total calculated trading volume of commission income was confirmed by independent sources. A detail test was performed on commissions. In addition, the samples were selected from the transactions realized in the accounting period, were tested in detail using the relevant supporting documents in order to confirm that the income is recognized properly.</p>

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

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

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

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



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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 (“TCC”), nothing has come to our attention that may cause us to believe that the Company’s set of accounts and financial statements prepared for the period 1 January - 31 December 2020 does not comply with TCC and the provisions of the Company’s articles of association in relation to financial reporting.

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

The engagement partner on the audit resulting in this independent auditor’s report is Mjde Aslan.

DRT BAĐIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Mjde Aslan
Partner

İstanbul, 15 February 2021

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HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Statement of Financial Position as at 31 December 2020**

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

	Notes	Audited 31 December 2020	Audited 31 December 2019
ASSETS			
Current Assets			
Cash and cash equivalents	3	263,972,609	147,414,391
Financial investments	4	37,860,428	55,508,661
Trade receivables	5-6	295,216,440	137,280,436
- Trade receivables from related parties	5	-	494,887
- Trade receivables from third parties	6	295,216,440	136,785,549
Other receivables	8	36,597,214	20,639,529
Prepaid expenses	9	6,531,057	2,022,920
TOTAL CURRENT ASSETS		640,177,748	362,865,937
Non-current assets			
Financial investments	4	6,783,100	4,895,789
Property, plant and equipment	10	5,044,707	3,343,140
Intangible assets	11	1,443,133	1,076,426
Other non-current assets	7	3,450,502	2,743,393
Right-of-use assets	12	3,385,713	3,955,105
Deferred tax asset	15	1,467,793	-
TOTAL NON-CURRENT ASSETS		21,574,948	16,013,853
TOTAL ASSETS		661,752,696	378,879,790
LIABILITIES			
Current liabilities			
Trade payables	5-6	260,181,449	124,137,054
- Trade payables to related parties	5	2,185	1,258,685
- Trade payables to third parties	6	260,179,264	122,878,369
Other payables	8	12,043,570	10,362,761
Current tax liabilities	15	13,275,678	2,792,404
Short-term provisions		5,061,751	4,160,203
- Short-term provisions for employee benefits	14	4,493,644	3,368,187
- Other short-term provisions	13	568,107	792,016
Obligations under financial leases	12	1,871,734	2,377,089
TOTAL CURRENT LIABILITIES		292,434,182	143,829,511
Non-current liabilities			
Long-term provisions		3,198,577	2,530,486
- Long-term provisions for employee benefits	14	3,198,577	2,530,486
Obligations under financial leases	12	1,875,969	1,824,579
Deferred tax liability	15	-	518,702
TOTAL NON-CURRENT LIABILITIES		5,074,546	4,873,767
EQUITY			
Equity attributable to the parent			
Share capital	16	104,000,000	104,000,000
Restricted reserves appropriated from profit		33,087,795	23,453,751
Accumulated other comprehensive income that will not be reclassified subsequently to profit or loss		4,692,005	2,804,694
- Gain(loss) on revaluation and remeasurement		5,497,858	3,610,547
- Other gains(loss)		(805,853)	(805,853)
Prior year's profit or loss		35,368,414	8,933,823
Net profit or loss for the period		187,095,754	90,984,244
TOTAL EQUITY		364,243,968	230,176,512
TOTAL LIABILITIES AND EQUITY		661,752,696	378,879,790

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 December 2020

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

	Notes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
PROFIT OR LOSS			
Revenue	17	6,129,744,982	516,375,318
Cost of sales	17	(5,809,554,172)	(407,371,324)
GROSS PROFIT (LOSS)		320,190,810	109,003,994
General administrative expenses	18	(53,144,434)	(42,292,595)
Marketing expenses	18	(38,075,958)	(15,311,141)
Other income from operating activities	20	1,914,335	4,662,463
Other expenses from operating activities	20	(1,015,984)	(329,464)
OPERATING PROFIT (LOSS)		229,868,769	55,733,257
Financial income	21	106,965,356	143,739,264
Financial expense	21	(96,601,179)	(89,725,759)
PROFIT (LOSS) FROM CONTINUING ACTIVITIES BEFORE TAX		240,232,946	109,746,762
Tax income / (expense)			
- Current tax (expense) income	15	(55,123,687)	(18,992,711)
- Deferred tax (expense) income	15	1,986,495	230,193
PROFIT/LOSS FOR THE PERIOD FROM CONTINUING ACTIVITIES		187,095,754	90,984,244
PROFIT (LOSS) FOR THE PERIOD		187,095,754	90,984,244
OTHER COMPREHENSIVE INCOME		1,887,311	1,380,549
Items that may be reclassified subsequently to profit or loss			
Other comprehensive income items that will not be reclassified as Other Profit and Loss		1,887,311	1,380,549
TOTAL COMPREHENSIVE INCOME (EXPENSE)		188,983,065	92,364,793

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Statement of Changes in Equity for the Year Ended 31 December 2020
(Amounts are expressed in full Turkish Lira (“TL”) unless otherwise stated)

	Notes	Share capital	Gain on revaluation and remeasurement	Accumulated other comprehensive income that will be reclassified subsequently to profit or loss	Accumulated other comprehensive income that will not be reclassified subsequently profit or loss	Retained earnings			Equity
				Other gains/losses	Restricted reserves appropriated from profit	Prior years' profits / (losses)	Profit/(loss) for the period		
Balances as of 1 January 2019		104,000,000	-	1,424,145	15,921,709	6,141,008	60,087,870	187,574,732	
Transfers		-	-	-	7,532,042	52,555,828	(60,087,870)	-	
Profit (loss) for the period		-	-	-	-	-	90,984,244	90,984,244	
Other comprehensive income (expense)		-	-	1,380,549	-	-	-	1,380,549	
<i>Gain on revaluation and remeasurement</i>		-	-	<i>1,380,549</i>	-	-	-	<i>1,380,549</i>	
Total comprehensive income (expense)		-	-	1,380,549	-	-	90,984,244	92,364,793	
Dividend payment	16	-	-	-	-	(49,763,013)	-	(49,763,013)	
Balances as of 31 December 2019		104,000,000	-	2,804,694	23,453,751	8,933,823	90,984,244	230,176,512	
Balances as of 1 January 2020		104,000,000	-	2,804,694	23,453,751	8,933,823	90,984,244	230,176,512	
Transfers		-	-	-	9,634,044	81,350,200	(90,984,244)	-	
Profit (loss) for the period		-	-	-	-	-	187,095,754	187,095,754	
Other comprehensive income (expense)		-	-	1,887,311	-	-	-	1,887,311	
<i>Gain on revaluation and remeasurement</i>		-	-	<i>1,887,311</i>	-	-	-	<i>1,887,311</i>	
Total comprehensive income (expense)		-	-	1,887,311	-	-	187,095,754	188,983,065	
Dividend payment	16	-	-	-	-	(54,915,609)	-	(54,915,609)	
Balances as of 31 December 2020		104,000,000	-	4,692,005	33,087,795	35,368,414	187,095,754	364,243,968	

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Statement of Cash Flows for the Year Ended 31 December 2020

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

		Audited	Audited
		1 January-	1 January-
	Notes	31 December 2020	31 December 2019
A. Cash flows from operating activities		244,105,393	187,716,439
Profit (Loss) for the period		187,095,754	90,984,244
Adjustments to reconcile profit (loss) for the period:			
Adjustments related to depreciation and amortization expenses	10-11-12	3,366,749	3,534,879
Adjustments related to provisions		4,789,323	3,507,267
-Adjustments related to provision for doubtful receivable expense	6	262,898	(77,837)
-Adjustments related to provision for retirement pay expense	14	1,142,241	823,792
-Adjustments related to provision for unused vacation expense	14	538,445	411,192
-Adjustments related to provision for personnel dividend premium	14	3,069,648	2,350,000
-Adjustments related to provision for payables expense	13	(223,909)	120
Adjustments related to tax expense/income		53,137,192	18,762,518
-Adjustments related to current tax expense	15	55,123,687	18,992,711
-Adjustments related to deferred tax (income)/expense	15	(1,986,495)	(230,193)
Adjustments related to interest income and expenses		(36,833,730)	(13,653,249)
-Adjustments related to interest income	21	(90,091,565)	(93,083,852)
-Adjustments related to interest expenses	21	53,257,835	79,430,603
Adjustments Related to Fair Value Losses (Gains)		-	488,733
-Adjustments Related to Fair Value Losses (Gains) of Derivative Financial Instruments		-	488,733
Other adjustments related to profit/(loss) reconciliation		(765,910)	(415,272)
-Dividend income from associates		(765,910)	(415,272)
Changes in working capital			
Adjustments related to increase/decrease in trade receivables		(170,533,748)	(33,870,006)
Adjustments related to increase/decrease in trade payables		136,044,396	63,533,795
Increase/decrease in financial investments		17,648,233	(2,203,652)
Adjustments related to other increase/decrease in working capital		6,761,624	(50,046,553)
Adjustments related to increase/decrease in obligations under finance leases		115,427	246,563
Cash flows from operating activities			
Interests received		90,111,372	92,574,582
Dividends received		765,910	415,272
Tax (payments)/returns	15	(44,640,413)	16,200,307
Payments under provisions for employee benefits	14	(2,956,786)	(2,342,989)
B. Cash flows from investing activities		9,970,507	11,757,662
Cash inflow from sale of other non-current assets		1,887,311	1,393,049
Cash inflow from sale of financial assets		12,334,846	-
Cash inflow from disposal of subsidiary		-	13,125,000
Payments for acquisition of property, plant and equipment	10	(3,165,774)	(2,078,544)
Payments for acquisition of intangible assets	11	(1,085,876)	(681,843)
C. Cash flows from financing activities		(107,789,467)	(181,161,389)
Cash outflows from repayments of borrowings		-	(52,355,826)
Interest paid		(52,873,858)	(79,042,550)
Dividends paid	16	(54,915,609)	(49,763,013)
Net increase (decrease) in cash and cash equivalents before the effect of currency translation differences (A+B+C)		146,286,433	18,312,712
D. Effects of currency translation differences on cash and cash equivalents		1,659,192	389,605
Net increase (decrease) in cash and cash equivalents (A+B+C+D)		147,945,625	18,702,317
E. Cash and cash equivalents at the beginning of the period	3	112,707,892	94,005,575
Cash and cash equivalents at the end of the period (A+B+C+D+E)	3	260,653,517	112,707,892

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

1 Organisation and operations of the Company

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

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

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

The Company operates with 7 branches (31 December 2019: 7). Each branches of T. Halk Bankası A.Ş., act as an intermediary for the transmission of orders on behalf of the company in capital market transactions.

The address of the Company is Halide Edip Adıvar Mah. Darülaceze Cad. No: 20 Şişli / İstanbul.

As at 31 December 2020, the Company has 138 employees (31 December 2019: 134).

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

	31 December 2020	31 December 2019
T. Halk Bankası A.Ş.	99.96%	99.96%
Other	0.04%	0.04%
Total	100.00%	100.00%

Approval of the Financial Statements:

Board of Directors approved the financial statements and delegated authority for publishing it on 15 February 2021.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

2

Basis of presentation of the financial statements

The preparation of financial statements

Statement of Compliance to TFRS

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

In addition, the financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013.

The financial statements are prepared on the basis of historical cost, with the exception of financial assets, derivative financial instruments at FVTPL and financial assets at FVTOCI. A historical cost is a measure of value used in accounting in which the price of an asset on the balance sheet is based on its nominal or original cost when acquired by the Company.

Currency Used

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

Preparation of financial statements in hyperinflationary periods

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

Comparative Information, Adjustment and Reclassification of Prior Period Financial Statements

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

Changes in Accounting Policies

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

Changes in Accounting Estimates and Errors

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

Changes in Accounting Estimates and Errors (cont’d)

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

New and Amended Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2020

Amendments to TFRS 3	<i>Definition of a Business</i>
Amendments to TAS 1 and TAS 8	<i>Definition of Material</i>
Amendments to TFRS 9, TAS 39 and TFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions</i>
Amendments to Conceptual Framework	<i>Amendments to References to the Conceptual Framework in TFRSs</i>

Amendments to TFRS 3 *Definition of a Business*

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 standard 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 and TAS 8 *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.

Amendments to TFRS 9, TAS 39 and TFRS 7 *Interest Rate Benchmark Reform*

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

a) Amendments that are mandatorily effective from 2020 (cont'd)

Amendments to TFRS 16 COVID-19 Related Rent Concessions

The changes in COVID-19 Related Rent Concessions (Amendment to TFRS 16) brings practical expedient which allows a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- there are no substantive changes to other terms and conditions of the lease.

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

The Company has not applied the practical expedient to all rent concessions that have met the above criteria. There were no COVID-19-related rent concessions prior to 1 January 2020.

Amendments to References to the Conceptual Framework in TFRSs

The references to the Conceptual Framework revised the related paragraphs in TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, TFRS Interpretation 12, TFRS Interpretation 19, TFRS Interpretation 20, TFRS Interpretation 22, and SIC 32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

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

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

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018 – 2020	<i>Amendments to TFRS 1, TFRS 9 and TAS 41</i>

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

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

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 TAS 1 Classification of Liabilities as Current or Non-Current

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

Amendment defers the effective date by one year. Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2022 and earlier application is permitted.

Amendments to TFRS 3 Reference to the Conceptual Framework

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

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

Amendments to TAS 16 Property, Plant and Equipment - Proceeds before Intended Use

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

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

Amendments to TAS 37 Onerous Contracts - Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts.

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

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

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

Annual Improvements to TFRS Standards 2018-2020

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

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

Amendments to TFRS 9 *Financial Instruments*

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

Amendments to TAS 41 *Agriculture*

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

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

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

2

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

Summary of significant accounting policies

Accounting of revenue and expenses

Sales revenue and financial income

Sales Income

-Interest income: Interests received from customers are presented in "Sales revenue" (Note 17), interests from time deposits are presented in "Finance income" (Note 21).

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

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

Service Income

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

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

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

Other

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

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

Other revenue and expenses are recognised on accrual basis.

Related Parties

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

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

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

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

Related parties (*cont'd*)

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

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

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

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

Property, plant and equipment (cont'd)

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

Useful lives of property, plant and equipment are as follows:

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

Intangible assets

Intangible assets acquired separately

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

Leases

The Company as Lessee

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

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

Leases (cont'd)

The Company as Lessee (cont'd)

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

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

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

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

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

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

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

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

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

Leases (cont'd)

The Company as Lessee (cont'd)

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

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

Investments accounted for by using equity method

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

Financial instruments

Financial assets

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

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

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

Financial instruments (cont'd)

Financial assets (cont'd)

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

Financial assets at fair value through profit or loss

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

Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. The related financial assets are presented with their fair values, the resulting gains and losses are recorded in profit and loss statement.

Financial assets measured at fair value through other comprehensive income

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

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

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

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

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

Financial instruments (cont'd)

Financial assets measured at amortised cost

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

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

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

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

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

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

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

Financial instruments (cont'd)

Impairment

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

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

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

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

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

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

Recognition and derecognition of financial assets

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

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

Financial instruments (cont'd)

Recognition and derecognition of financial assets (cont'd)

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

Financial liabilities

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

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

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

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

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

The Company does not reclassify any financial liability.

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

Financial instruments (cont'd)

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. Further details of derivative financial instruments are disclosed in note 23.

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

Effects of Exchange Differences

Foreign Currency Transactions and Balances

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

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

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

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

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

As of 31 December 2020 and 31 December 2019, exchange rates used by the Company are as follows:

	31 December 2020	31 December 2019
US Dollar ("US Dollar")	7.3405	5.9402
Euro	9.0079	6.6506

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

Earnings per Share

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

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

Events after the Reporting Period

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

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

Provisions, Contingent Assets and Liabilities

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

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

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

Onerous contracts

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

Restructuring

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

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

Warranties

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

Segment Reporting

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

Income Tax

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

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

Current tax

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

Deferred tax

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

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

Income Tax (*cont'd*)

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

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

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity.

Employee Benefits

Termination and retirement benefits:

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

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

Profit-sharing and bonus plans

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

Statement of Cash Flows

Nakit akış tablosunda, döneme ilişkin nakit akışları esas, yatırım ve finansman faaliyetlerine dayalı bir biçimde sınıflandırılarak raporlanır.

Capital and Dividends

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

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Cash and cash equivalents

Cash and cash equivalents as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Banks	221,612,741	137,244,242
- Time deposit	129,492,235	97,152,042
- Demand deposit	92,120,506	40,092,200
Receivables from reverse repurchase agreements	42,395,548	10,190,027
Expected credit loss provision (-)	(35,680)	(19,878)
Cash and cash equivalents represented on statement of financial position	263,972,609	147,414,391
Interest income accruals on cash and cash equivalents	(582,235)	(602,042)
Expected credit loss provision on cash and cash equivalents	35,680	19,878
Customer assets ⁽¹⁾	(2,772,537)	(34,124,335)
Total cash and cash equivalents on statement of cash flows	260,653,517	112,707,892

⁽¹⁾ TL 83,925,680 (31 December 2019: TL 34,124,335) of bank deposits consists of the demand deposits assets of the Company which has not turned to an investment as of 31 December 2020.

As of 31 December 2020, TL 129,492,235 of time deposit (31 December 2019: TL 97,152,042) and TL 87,793,915 of demand deposit (31 December 2019: TL 37,907,470) is at T. Halk Bankası A.Ş., the main shareholder of the Company.

As of 31 December 2020, the interest rate applied to reverse repo agreements is 16.82% and their maturities are 4 days (31 December 2019: 11.37% with 1 day of maturity).

As of 31 December 2020 and 31 December 2019, the details of time deposits of the Company are as follows:

31 December 2020				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
T. Halk Bankası A.Ş.	16.25%-17.50%	4 January 2021-19 February 2021	TL	129,492,235
Total				129,492,235

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

As at 31 December 2020 and 31 December 2019, there is no blockage on cash and cash equivalents of the Company.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

4

Financial investments

Short-term financial investments

As of 31 December 2020 and 31 December 2019, short-term financial investments are as follows:

Financial assets at fair value through profit or loss

	31 December 2020		31 December 2019	
	Nominal value	Carrying value	Nominal value	Carrying value
Equity securities (Note 5)*	5,882	155,955	21,432,345	42,328,882
Private sector bonds	29,600,000	29,494,073	12,535,000	12,602,976
Government bonds	7,496,404	8,210,400	263,729	576,803
Total		37,860,428		55,508,661

* On 22 April 2020, a share transfer agreement was signed between TVF Finansal Yatırımlar A.Ş. ("TVF Finansal Yatırımlar") as buyer and the Company as seller, for the purpose of transferring the shares representing 6.14% of the capital of Halk Sigorta A.Ş., owned by the Company, to TVF Finansal Yatırımlar, and share transfer was completed as at the same date. Accordingly, the cost to be paid to the Company for Halk Sigorta A.Ş. shares has been determined as TL 0.0186 per share (TL 1.86 for nominal share of TL 1), and total sale cost is TL 39,864,164. TL 27,529,319 of the sale price has been collected by special category government debt security, and the remaining amount was collected in cash on 16 November 2020.

Long-term financial investments

As of 31 December 2020 and 31 December 2019, long-term financial investments are as follows:

Financial assets at fair value through other comprehensive income

Share investments	31 December 2020		31 December 2019	
	Carrying value	Ownership rate (%)	Carrying value	Ownership rate (%)
Borsa İstanbul A.Ş.(1)	1,517,254	0.038	1,517,254	0.038
Halk Faktoring A.Ş.	4,078,360	1.240	2,938,800	1.240
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	1,174,981	0.038	427,230	0.038
Ziraat Portföy Yönetimi A.Ş.(2)	12,500	0.001	12,500	0.001
Halk Finansal Kiralama A.Ş.(2)	5	0.000	5	0.000
Total	6,783,100		4,895,789	

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

(2) Stated at cost value in financial statements.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

5

Related party disclosures

Receivables from related parties and payables to related parties

Assets from related parties and liabilities to related parties as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Cash and cash equivalents		
T. Halk Bankası A.Ş.	217,276,149	135,059,513
-Time deposit	129,492,235	97,152,042
-Demand deposit	87,783,915	37,907,470
Financial investments		
Halk Sigorta A.Ş.	-	42,328,882
-Stock shares	-	42,328,882
Halk Varlık Kiralama A.Ş.	4,028,512	-
-Stock shares	4,028,512	-
Halk Faktoring A.Ş.	2,938,800	2,938,800
-Stock shares	2,938,800	2,938,800
T.Halk Bankası A.Ş.	1,000,000	702,130
-Commercial paper	1,000,000	702,130
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	1,174,981	427,230
-Stock shares	1,174,981	427,230
Halk Finansal Kiralama A.Ş.	24,465,566	5
-Commercial paper	24,465,561	-
-Stock shares	5	5
Total	250,884,008	181,456,560
	31 December 2020	31 December 2019
Trade receivables from related parties		
T.Halk Bankası A.Ş.	-	460,032
Halk Sigorta A.Ş.	-	288
Halk Hayat ve Emeklilik A.Ş.	-	34,567
Total	-	494,887
	31 December 2020	31 December 2019
Payables to related parties		
Halk Sigorta A.Ş.	-	1,250,590
T. Halk Bankası A.Ş.	312	6,574
Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş.	1,873	1,521
Total	2,185	1,258,685

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

5

Related party disclosures (*cont'd*)

Transactions with related parties

Transactions with related parties for the periods ended 31 December 2020 and 31 December 2019 are as follows:

Income from related parties

	1 January – 31 December 2020	1 January – 31 December 2019
<u>T. Halk Bankası A.Ş.</u>		
Commission income on public offerings brokerage	16,218,771	21,085,880
Interest income on deposits	14,180,057	17,215,986
Brokerage commission income	360,779	1,441,197
Consultancy service income	1,204,000	1,100,000
Amortization income on bonds	-	30,467
<u>Halk Emeklilik Fonları</u>		
Brokerage commission income	743,682	2,410,842
<u>Halk Finansal Kiralama A.Ş.</u>		
Commission income on public offerings brokerage	525,000	1,395,000
Amortization income on bonds	6,109	2,061
<u>Halk Sigorta A.Ş.</u>		
Consultancy service income	15,000	60,000
Brokerage commission income	-	98
<u>Halk Hayat ve Emeklilik A.Ş.</u>		
Consultancy service income	60,000	180,000
Brokerage commission income	-	47
<u>Halk Portföy Yönetimi A.Ş.</u>		
Service income	-	11,601
<u>Halk Varlık Kiralama A.Ş.</u>		
Sukuk issue brokerage commission income	3,905,000	4,942,500
Amortization income on bonds	24,632	-
<u>Halk Faktoring A.Ş.</u>		
Commission income on public offerings brokerage	-	210,000
Total	37,243,030	50,085,679

On 22 April 2020, a share transfer agreement was signed between TVF Finansal Yatırımlar A.Ş. ("TVF Finansal Yatırımlar") as buyer and the Company as seller, for the purpose of transferring the shares representing 6.14% of the capital of Halk Sigorta A.Ş., owned by the Company, to TVF Finansal Yatırımlar, and share transfer was completed as at the same date. Accordingly, the cost to be paid to the Company for Halk Sigorta A.Ş. shares has been determined as TL 0.0186 per share (TL 1.86 for nominal share of TL 1), and total sale cost is TL 39,864,164. TL 27,529,319 of the sale price has been collected by special category government debt security, and the remaining amount was collected in cash on 16 November 2020.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

5

Related party disclosures (cont'd)

Transactions with related parties (cont'd)

Payables to related parties

	1 January – 31 December 2020	1 January – 31 December 2019
<u>T. Halk Bankası A.Ş.</u>		
Rent expenses	1,769,078	1,839,086
Sponsorship expenses	900,000	-
Common expense contribution expense	550,012	457,876
Commissions of guarantee letter	75,827	62,231
Bank charges	84,255	50,686
Used credit interest expense	10,742	-
<u>Halk Sigorta A.Ş.</u>		
Commercial paper interest expense	-	2,224,769
Personnel expenses (Health/insurance expenses)	334,540	1,112,579
Repurchase agreements interest expense	-	19,390
<u>Halk Hayat ve Emeklilik A.Ş.</u>		
Personnel expenses (Death insurance expenses)	12,350	45,747
Common expense contribution expense	14,773	30,293
Repurchase agreements interest expense	-	1,950
<u>Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş.</u>		
Service expense	24,102	22,155
Repurchase agreements interest expense	-	705
<u>Halk Varlık Kiralama A.Ş.</u>		
Sukuk premium expense	413,000	-
Total	4,188,679	5,867,467

Benefits provided to key management

The key personnel received remuneration and fees amounting in total TL 1,952,118 for the period ended 31 December 2020 (31 December 2019: TL : 2,019,470).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

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Trade receivables and payables

Trade receivables

As of 31 December 2020 and 31 December 2019, trade receivables of the Company are as follows:

	31 December 2020	31 December 2019
Receivables from loan customers ⁽¹⁾	74,794,386	57,978,799
VIOP collaterals	138,247,542	67,242,282
Corporate receivables from Takasbank money market ("TMM")	63,254,482	-
Leveraged trade collaterals	9,315,998	9,888,163
Receivables from customers	8,459,469	1,413,661
Collaterals of borrowed securities	1,144,563	262,644
Due from related parties (Note 5)	-	494,887
Doubtful trade receivables	555,296	292,398
Provision for doubtful trade receivables	(555,296)	(292,398)
Total	295,216,440	137,280,436

(1) As of 31 December 2020, the average interest rate applied to the loan customers is 24.67% (31 December 2019: 16.89%).

The movement of the provision of doubtful receivables of the Company as of 31 December 2020 and 31 December 2019 is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	292,398	564,173
Provision made within the period	262,898	-
Collected in the period	-	(193,938)
Provisions written off	-	(77,837)
Closing balance	555,296	292,398

Trade payables

As of 31 December 2020 and 31 December 2019, trade payables of the Company is as follows:

	31 December 2020	31 December 2019
Leveraged trade collaterals	7,958,392	9,002,507
VIOP collaterals	135,381,789	66,105,713
Payables to customers	109,642,007	45,531,312
Suppliers	6,052,513	1,976,193
Payables to related parties (Note 5)	2,185	1,258,685
Collaterals received for lent securities	1,144,563	262,644
Total	260,181,449	124,137,054

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

7

Other non-current assets

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

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

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

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	2,743,393	2,156,017
Increase during the period	707,109	587,376
Closing balance	3,450,502	2,743,393

8 Other receivables and payables

Other receivables

31 Aralık 2020 ve 31 Aralık 2019 tarihleri itibarıyla, diğer alacaklar aşağıdaki gibidir:

	31 December 2020	31 December 2019
Foreign collaterals related to leveraged transactions	9,958,045	9,793,056
BISTECH Share MKT transaction collaterals ⁽²⁾	17,597,961	4,711,968
TEFAS transaction collaterals ⁽⁴⁾	2,527,224	3,744,470
VİOP, Share, Loan and Borrowing Instruments collaterals ⁽¹⁾	2,229,065	812,926
BAP MKT transaction collaterals ⁽³⁾	3,831,991	1,506,282
Rent and other collaterals, deposits	7,750	7,750
Receivables from personnel	86,903	28,024
Other	373,196	45,408
Expected credit loss provision (-)	(14,921)	(10,355)
Total	36,597,214	20,639,529

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

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

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

(4) It comprises the Company's cash collaterals given to Takasbank for TEFAS transactions.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

8 Other receivables and payables (*cont'd*)

Other payables

As of 31 December 2020 and 31 December 2019, other payables are as follows:

	31 December 2020	31 December 2019
Taxes and duties payable	9,992,103	10,302,363
Other	2,051,467	60,398
Total	12,043,570	10,362,761

9 Prepaid expenses

As of 31 December 2020 and 31 December 2019 prepaid expenses are as follows:

	31 December 2020	31 December 2019
Prepaid expenses ⁽¹⁾	6,445,489	1,799,014
Prepaid rents	85,568	223,906
Total	6,531,057	2,022,920

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

10

Property, plant and equipment

For the years ended 31 December 2020 and 31 December 2019, movement of the property, plant and equipment is as follows:

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
Opening balance, 1 January 2019	3,613,190	1,938,443	2,571,909	8,123,541
Additions	1,751,938	82,332	244,274	2,078,544
Closing balance, 31 December 2019	5,365,128	2,020,775	2,816,183	10,202,085
Opening balance, 1 January 2020	5,365,128	2,020,775	2,816,183	10,202,086
Additions	2,686,802	144,870	334,102	3,165,774
Closing balance, 31 December 2020	8,051,930	2,165,645	3,150,285	13,367,860
Accumulated depreciation				
Opening balance, 1 January 2019	1,833,696	1,706,150	2,312,008	5,851,854
Charge for the period	759,255	90,422	157,414	1,007,091
Closing balance, 31 December 2019	2,592,951	1,796,572	2,469,422	6,858,945
Opening balance, 1 January 2020	2,592,951	1,796,572	2,469,422	6,858,945
Charge for the period	1,166,073	97,844	200,291	1,464,208
Closing balance, 31 December 2020	3,759,024	1,894,416	2,669,713	8,323,153
Net book value				
31 December 2019	2,772,177	224,203	346,761	3,343,140
31 December 2020	4,292,906	271,229	480,572	5,044,707

In the reporting period for the year ended 31 December 2020, a total of TL 3,165,774 of property, plant and equipment assets have been purchased (31 December 2019: TL 2,078,544).

In the reporting period for the year ended 31 December 2020 total insurance on property, plant and equipment are amounting to TL 10,987,615 (31 December 2019: TL 8,552,750).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

11

Intangible assets

For the years ended 31 December 2020 and 31 December 2019, movement of the intangible assets is as follows:

	Software
Cost	
Opening balance, 1 January 2019	3,383,786
Additions	681,843
Closing balance, 31 December 2019	4,065,629
Opening balance, 1 January 2020	4,065,629
Additions	1,085,876
Closing balance, 31 December 2020	5,151,505
Accumulated amortization	
Opening balance, 1 January 2019	2,513,224
Charge for the period	475,978
Closing balance, 31 December 2019	2,989,203
Opening balance, 1 January 2020	2,989,203
Charge for the period	719,169
Closing balance, 31 December 2020	3,708,372
Net book value	
31 December 2019	1,076,426
31 December 2020	1,443,133

In the accounting period ended 31 December 2020, intangible assets amounting to TL 1,085,876 have been purchased (31 December 2019: TL 681,843).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2020

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

12

Right-of-use Assets and Lease Payables

As of 31 December 2020 and 31 December 2019, movement of right-of-use assets and lease payables are as follows:

	Building rent rights	Vehicle rent rights	Total
Cost			
Opening balance, 1 January 2019	-	-	-
Additions	3,947,499	2,059,416	6,006,915
Disposals	-	-	-
Closing balance, 31 December 2019	3,947,499	2,059,416	6,006,915
Opening balance, 1 January 2020	3,947,499	2,059,416	6,006,915
Additions	-	1,511,904	1,511,904
Disposals	(1,008,493)	-	(1,008,493)
Closing balance, 31 December 2020	2,939,006	3,571,320	6,510,326
Accumulated depreciation			
Opening balance, 1 January 2019	-	-	-
Charge for the period	1,846,676	205,134	2,051,810
Disposals	-	-	-
Closing balance, 31 December 2019	1,846,676	205,134	2,051,810
Opening balance, 1 January 2020	1,846,676	205,134	2,051,810
Charge for the period	478,326	705,046	1,183,372
Disposals	(110,569)	-	(110,569)
Closing balance, 31 December 2020	2,214,434	910,180	3,124,613
Net book value			
31 December 2019	2,100,823	1,854,282	3,955,105
31 December 2020	724,572	2,661,140	3,385,713

31 December 2020 31 December 2019

Allocation of leasing liabilities		
Current	1,871,734	2,377,089
Non-current	1,875,969	1,824,579
Closing balance	3,747,703	4,201,668

13

Provisions, contingent assets and liabilities

Other short-term provisions

As of 31 December 2020 and 31 December 2019, short-term provisions for liabilities are as follows:

	31 December 2020	31 December 2019
Lawsuit provisions	453,504	709,950
Expenses payable	11,163	14,945
Common expense contribution share	103,141	67,119
Other expense accruals	299	2
Total	568,107	792,016

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

Other off-balance sheet liabilities

As of 31 December 2020 and 31 December 2019 off-balance sheet liabilities are as follows:

Letters of guarantee

	31 December 2020	31 December 2019
Istanbul Stock Exchange (ISE)	80,000	80,000
CMB	1,776	1,776
Other	231,504	85,754
Total	313,280	167,530

As of 31 December 2020, the Company has guarantees amounting to USD 2,000,000 to liquidity suppliers to make leveraged trading transactions (31 December 2019: USD 2,000,000).

Other off-balance sheet liabilities

Items held in custody (nominal)	31 December 2020	31 December 2019
Stocks	3,966,663,461	2,424,136,261
Warrants	70,299,970	7,297,094
Other securities	3,882,874,758	2,790,145,696
Futures and option market agreements (number)	497,217	274,736

As of 31 December 2020, there are future and option markets transaction collaterals held on behalf of customers amounting to TL 135,381,789 (31 December 2019: TL 66,105,713) in Takasbank.

As of 31 December 2020 and 31 December 2019, the open transaction amounts in VIOP are as follows:

	31 December 2020	31 December 2019
Open position transaction amount	553,153,856	302,725,808

Lawsuits

As of 31 December 2020, total risk of lawsuits sued against the Company are amounting to approximately TL 453,504 (31 December 2019: TL 709,950) and TL 453,504 of provision is provided for these lawsuits on the financial statements (31 December 2019: TL 709,950).

	1 January – 31 December 2020	1 January – 31 December 2019
Opening balance	709,950	619,500
Increase during the period	58,554	90,450
Released provision	(315,000)	-
Closing balance	453,504	709,950

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Provisions related to employee benefits

As of 31 December 2020 and 31 December 2019, the details of employee benefits are as follows:

	31 December 2020	31 December 2019
<i>Short-term</i>		
- Provision for unused vacation	1,423,996	1,018,187
- Personnel dividend bonus provision	3,069,648	2,350,000
<i>Long-term</i>		
- Employee severance pay liability	3,198,577	2,530,486

Provision for unused vacation

Provision for unused vacations is the total undiscounted liability amount corresponding to the days of leave entitled but not yet used by all employees. The movements of provision for the unused vacation in the accounting periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January – 31 December 2020	1 January – 31 December 2019
Opening balance	1,018,187	626,232
Increase during the year	538,445	411,192
Paid during the year	(132,636)	(19,237)
Closing balance	1,423,996	1,018,187

Provision for personnel dividend premium

The provision for personnel dividend premium provision consists of the TL 3,069,648 dividend premium that the Company foresees to distribute to the personnel from the provisions allocated in the statement of financial position for 2020 (31 December 2019: TL 2,350,000). The Company has recognized the related amount as expense in accordance with TAS 19 in the current period.

Termination and retirement benefits

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

Under TFRS, actuarial calculation is required to calculate the Company's liabilities. The Company calculated the provision for termination and retirement benefits based on the Company's experience in completing employee service term and entitlement to severance pay using the "Projection Method" in prior periods and recognized it in the accompanying financial statements. Provision for termination and retirement benefits has been calculated according to the net present value of future liabilities due to retirement of all employees. Accordingly, the actuarial assumptions used to calculate the liability as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Discount rate	12.80%	12.10%
Estimated rate of salary increase	9.50%	8.20%
Net discount rate	3.01%	3.60%

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

The movements of provision for termination and retirement benefits within the accounting periods ended 31 December 2020 and 31 December 2019 are as follows:

	1 January – 31 December 2020	1 January – 31 December 2019
Opening balance	2,530,486	1,920,566
Interest cost	91,097	73,750
Service cost	1,051,144	750,042
Payments during the period	(474,150)	(213,872)
Closing balance	3,198,577	2,530,486

15 Tax assets and liabilities

As of 31 December 2020 the Company is subject to corporate tax with a rate of 22% (31 December 2019: 22%). This rate is applied to accounting income modified for certain exemptions and deductions and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

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

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

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

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

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

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

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15

Tax assets and liabilities (*cont'd*)

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.

A reconciliation illustrates the differences between the total tax provision and the amount calculated by applying the legal tax rate to the profit before tax of the periods ended 31 December 2020 and 31 December 2019.

	1 January – 31 December 2020	1 January – 31 December 2019
Profit before tax	240,232,946	109,746,762
Corporate tax computed with statutory tax rate (22%)	52,851,248	24,144,288
Non-deductible expenses	487,090	1,200,304
Non-taxable income	(201,146)	(6,582,074)
Tax expense	53,137,192	18,762,518

	1 January – 31 December 2020	1 January – 31 December 2019
Current tax expense	(55,123,687)	(18,992,711)
Deferred tax (expense)/income	1,986,495	230,193
Tax expense	(53,137,192)	(18,762,518)

As of 31 December 2020 and 31 December 2019, the corporation tax payable after deduction of prepaid taxes is accounted under "corporate tax payable" in "current tax liabilities" or in "current tax assets" account.

	31 December 2020	31 December 2019
Prepaid provisional tax	41,848,009	16,200,307
Current corporate tax expense	(55,123,687)	(18,992,711)
Current tax (liabilities) / assets	(13,275,678)	(2,792,404)

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Tax assets and liabilities (*cont'd*)

Deferred tax

As at 31 December 2020 and 31 December 2019, details of net deferred tax assets and liabilities are as follows:

	31 December 2020	31 December 2019
Deferred tax assets		
Provision for employment termination benefits	639,715	506,097
Unused vacation provision	284,799	224,001
Provision for personnel dividend premium	613,930	517,000
Allowance for doubtful receivables	7,607	-
Lawsuit provision	90,701	156,189
Total deferred tax assets	1,636,752	1,403,287
Deferred tax liabilities		
Financial investments	(61,756)	(1,715,084)
Effect of depreciation and amortisation method difference between tax regulations and financial reporting on property, plant and equipment and intangible assets	(107,203)	(206,905)
Total deferred tax liability	(168,959)	(1,921,989)
Net deferred tax asset / (liability)	1,467,793	(518,702)

16

Shareholders' equity

In accordance with the resolution of the General Assembly dated 24 June 2020, it is decided to provide primary reserve amounting to TL 4,427,483 at the rate of 5% of the net profit in 2019, 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 49,715,609 pursuant to provision of Article 21/d which make TL 54,915,609 in total and to provide the secondary reserve amounting to TL 5,206,561.

Restricted reserves appropriated from profit

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

As of 31 December 2020, the Company has restricted reserves amounting to TL 33,087,795 appropriated from profit (31 December 2019: TL 23,453,751).

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.

Other earnings

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

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

16

Shareholders' equity (*cont'd*)

Prior years' profit

As of 31 December 2020, the Company has prior years' profit amounting to TL 35,368,414 (31 December 2019: TL 8,933,823).

17

Revenue and cost of sales

Income from operating activities for the years ended 31 December 2020 and 31 December 2019 is as follows:

	1 January – 31 December 2020	1 January – 31 December 2019
Sales revenue		
Government bond sales	534,396,877	188,346,741
Government bond repo sales	4,508,228,000	-
Asset-backed security sales	-	25,236,739
Stock and interim certificate sales	44,563,581	1,541,944
Private sector bond sales	27,646,581	15,674,620
Commercial paper sales	6,544,900	101,356,251
Euro bond sales	727,567,304	66,534,071
Treasury bill sales	-	10,489,331
Total sales income	5,848,947,243	409,179,697
Services		
Stock commission income	219,075,588	48,568,248
Interest income from customers	12,636,236	15,061,900
Public offering intermediary income	21,660,110	28,439,417
Fixed income securities commissions	142,811	97,105
Repo-reverse repo commissions	1,729,377	2,161,954
Settlement and Custody bank money market comission	695,164	338,739
Futures and options market commission income	15,944,851	6,823,488
Securities Lending Market and other commission income	468,112	225,431
Leveraged trade collaterals	5,164,793	3,741,290
Funds management commission income	1,872,772	563,720
Consulting and portfolio management services income	1,407,925	1,174,329
Total service income	280,797,739	107,195,621
Total sales income	6,129,744,982	516,375,318
Cost of sales		
Government bond purchases	530,020,630	187,199,476
Government bond repo purchases	4,508,228,000	-
Asset-backed security sales	-	25,000,000
Stock and interim certificate purchases	17,103,132	1,546,405
Private sector bond purchases	27,501,112	15,664,257
Commercial paper purchases	6,528,289	101,252,395
Euro bond purchases	720,173,009	66,240,300
Treasury bill purchases	-	10,468,491
Total cost of sales	5,809,554,172	407,371,324
Gross profit	320,190,810	109,003,994

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

18 General administrative and marketing expenses

General administrative expenses for the years ended 31 December 2020 and 31 December 2019 are as follows:

<i>General administrative expenses</i>	1 January – 31 December 2020	1 January – 31 December 2019
Personnel expenses	32,314,321	26,780,648
-Salaries	22,503,734	19,101,880
-Personnel insurance and bonus expenses	5,317,929	4,544,885
-Personnel retirement pay expenses	854,294	609,920
-Personnel retirement pay payments	512,863	289,736
-Personnel food expenses	886,445	805,583
-Other personnel expenses	2,239,056	1,428,644
Data monitor and distribution expenses	2,917,207	1,653,161
Rent expenses	1,603,369	576,210
Depreciation and amortisation expenses	3,366,749	3,534,879
Outsourced benefits and services	4,401,017	3,151,359
Communication expenses	2,181,192	1,299,581
Taxes and dues	1,297,990	1,242,769
Service and travel expenses	949,241	561,156
Common expenses participation provision expenses	913,437	777,114
Audit and advisory expenses	701,636	387,162
Vehicle rent and fuel expenses	614,655	869,307
Maintenance and repair expenses	1,165,442	550,462
Representation and entertainment expenses	76,853	104,490
Other	641,325	804,297
Total	53,144,434	42,292,595

Marketing expenses for the years ended 31 December 2020 and 31 December 2019 are as follows:

<i>Marketing expenses</i>	1 January – 31 December 2020	1 January – 31 December 2019
Share of stock exchange expenses	17,714,438	6,955,070
Data monitor and distribution expenses	10,684,172	3,903,190
Commercial paper issue expenses	-	641,286
Commission and service expenses	4,847,357	1,892,223
Advertising, notice and subscription expenses	2,647,879	921,788
Stock exchange and association subscriptions	356,433	357,512
Stock exchange access expenses	612,495	462,436
Sponsorship expenses	1,096,667	100,000
Internet and website expenses	17,194	11,650
Other	99,323	65,986
Total	38,075,958	15,311,141

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19 Expenses by nature

The Company has classified the expenses in the accompanying financial statements on the basis of function. Depreciation expenses and amortization amounts incurred during the period amount to TL 3,366,749 in the year ended 31 December 2020 (31 December 2019: TL 3,534,879). In the year ended 31 December 2020, the provision for severance pay expense is TL 668,091, the provision for unused vacation expense is TL 538,445 TL (31 December 2019: TL 609,920 provision for severance pay expense, TL 411,191 provision for unused vacation expense).

20 Other income and expenses from operating activities

Other income and expenses from operation activities for the years ended 31 December 2020 and 31 December 2019 are as follows:

<i>Other operating income</i>	1 January – 31 December 2020	1 January – 31 December 2019
Gains from Associates	-	3,500,427
Other service income ⁽¹⁾	743,840	676,936
Dividend income ⁽²⁾	855,270	484,650
SSI return premiums and other income ⁽³⁾	225	450
Released provisions ⁽⁴⁾	315,000	-
Total	1,914,335	4,662,463

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

(2) It comprises dividend income on corporate portfolio.

(3) The amount of TL 225 is received as grant from treasury for SSI payments. (31 December 2019: TL 450).

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

<i>Other operating expenses</i>	1 January – 31 December 2020	1 January – 31 December 2019
Lawsuit provisions	58,554	90,450
Other expenses and losses ⁽¹⁾	957,430	239,014
Total	1,015,984	329,464

(1) It comprises returns to the customers due to incorrect operations, administrative fine, customers' unsecured balances and other expenses.

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Finance income and expenses

As of 31 December 2020 and 31 December 2019, the details of finance income and expenses are as follows:

<i>Finance income</i>	1 January – 31 December 2020	1 January – 31 December 2019
Interest income on time deposits	14,180,057	17,215,986
Interest income on reverse repurchase agreements	45,711,362	47,292,646
Fixed yield security redemption, coupon and rediscount income	25,937,119	2,200,848
Futures and options market and other guarantees interest income	2,538,282	4,515,558
Takasbank money market interest income	1,724,745	21,858,814
Derivative income	-	16,581,078
Foreign exchange gains	16,055,326	11,124,362
Valuation differences of stocks	55,961	22,829,749
Other	762,504	120,223
Total	106,965,356	143,739,264

<i>Finance expenses</i>	1 January – 31 December 2020	1 January – 31 December 2019
Takasbank borrowing and credit interest expenses	10,742	10,050,114
Commercial paper interest expenses	-	35,332,425
Interest expense on repurchase agreements	53,247,093	34,048,064
Foreign exchange loss	11,879,857	9,502,987
Valuation differences of stocks	29,918,767	-
Letter of guarantee commissions	76,352	791,805
Derivative expenses	1,467,066	-
Other	1,302	364
Total	96,601,179	89,725,759

22 Nature and level of risks arising from financial instruments

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

22.1 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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22 Nature and level of risks arising from financial instruments (cont'd)

22.1 Credit risk (cont'd)

Credit risks exposed by types of financial instruments:

31 December 2020	Receivables		Cash at banks ⁽¹⁾	Derivative instruments	Financial investments ⁽²⁾	
	Trade receivables					Other receivables
	Related party	Other				
Maximum credit risk exposure as at balance sheet date (A+B+C+D+E)	-	295,771,736	36,597,214	263,972,609	-	37,704,473
- Secured portion of the maximum credit risk by guarantees etc.	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	-	295,216,440	36,597,214	263,972,609	-	37,704,473
B. Net book value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-	-	-
- Secured portion by guarantees, etc.	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross amount)	-	555,296	-	-	-	-
- Impairment (-)	-	555,296	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

(1) Receivables from reverse repo transactions amounting to TL 42,395,548 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 2019	Receivables		Cash at banks ⁽¹⁾	Derivative instruments	Financial investments ⁽²⁾	
	Trade receivables					Other receivables
	Related party	Other				
Maximum credit risk exposure as at balance sheet date (A+B+C+D+E)	494,887	137,077,947	20,639,529	147,414,391	-	13,179,779
- Secured portion of the maximum credit risk by guarantees etc.	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	494,887	136,785,549	20,639,529	147,414,391	-	13,179,779
B. Net book value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-	-	-
- Secured portion by guarantees, etc.	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross amount)	-	292,398	-	-	-	-
- Impairment (-)	-	292,398	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-

(1) Receivables from reverse repo transactions amounting to TL 10,190,027 stated under cash and cash equivalents are included.

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

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

22.2 Liquidity risk

As of 31 December 2020, the profile of financial liabilities according to their remaining maturities is as follows:

Contractual maturity	Carrying value	Total contractual cash			
		outflows	3 months or less	3-12 months	1-5 years
Non-derivate financial liabilities	260,181,449	260,181,449	260,181,449	-	-
Trade payables	260,181,449	260,181,449	260,181,449	-	-

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

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

As at 31 December 2020 and 31 December 2019, the liquidity requirement of the Company in accordance with Communiqué 34 is as follows:

	31 December 2020	31 December 2019
Current assets (A)	633,201,514	360,779,939
Current liabilities (B)	292,434,183	145,654,090
Current assets/Current liabilities (A/B)	2.17	2.48

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

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

22.3 Market risk

Foreign currency risk

The assets denominated in foreign currency of the Company expose to foreign currency risk, due to changes between currency rate at transaction date and at end of the reporting date, while translating the assets denominated in foreign currency. As of 31 December 2020 and 31 December 2019, the Company's foreign currency position is as follows:

	31 December 2020			
	TL equivalent (Functional currency)	US Dollar	Euro	Other
1. Trade receivables	-	-	-	-
2a. Monetary financial assets (including cash, bank deposit accounts)	4,465,955	606,658	1,419	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	4,465,955	606,658	1,419	-
5. Trade receivables	14,424,011	1,963,249	1,419	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	14,424,011	1,963,249	1,419	-
9. Total assets (4+8)	18,889,966	2,569,907	2,838	-
10. Trade payables	10,012,016	1,357,846	-	4,500
11. Financial liabilities	-	-	-	-
12a. Monetary other liabilities	-	-	-	-
12b. Non-monetary other liabilities	-	-	-	-
13. Current liabilities (10+11+12)	10,012,016	1,357,846	-	4,500
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Monetary other liabilities	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	10,012,016	1,357,846	-	4,500
19. Off-balance sheet derivative instruments net asset/(liability) position (19a-19b)	-	-	-	-
19a. Amount of active foreign currency derivative off-balance sheet	-	-	-	-
19b. Amount of pasive foreign currency derivative off-balance sheet	-	-	-	-
20. Net foreign currency asset/(liability) position (9-18+19)	8,877,950	1,212,061	2,838	(4,500)
21. Monetary items net foreign currency assets / (liabilities) (tfrs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)	8,877,950	1,212,061	2,838	(4,500)
22. Fair value of financial instruments used for currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-

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

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

22.3 Market risk (cont'd)

Foreign currency risk (cont'd)

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

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

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

22.3 Market risk (*cont'd*)

Foreign currency sensitivity analysis

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

The following table details the Company's sensitivity to a 20% increase and decrease in Euro, US Dollar and other currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. A positive number below indicates an increase in profit/loss or other equity items.

31 December 2020		
	Foreign currency increase against TL	Foreign currency decrease against TL
<u>20% change in US Dollar against TL</u>		
1- US Dollar net asset/liability	1,779,427	(1,779,427)
2- Hedged risk (USD Dollar) (-)	-	-
3- US Dollar net effect (1+2)	1,779,427	(1,779,427)
<u>20% change in Euro against TL</u>		
4- Euro net asset/liability	5,113	(5,113)
5- Hedged risk (Euro) (-)	-	-
6- Euro net effect (4+5)	5,113	(5,113)
<u>20% change in other currencies against TL</u>		
7- Other net asset/liability	(8,950)	8,950
8- Hedged risk (Other) (-)	-	-
9- Other net effect (7+8)	(8,950)	8,950
Total (3+6+9)	1,775,590	(1,775,590)
31 December 2019		
	Foreign currency increase against TL	Foreign currency decrease against TL
<u>20% change in US Dollar against TL</u>		
1- US Dollar net asset/liability	758,401	(758,401)
2- Hedged risk (USD Dollar) (-)	-	-
3- US Dollar net effect (1+2)	758,401	(758,401)
<u>20% change in Euro against TL</u>		
4- Euro net asset/liability	3,430	(3,430)
5- Hedged risk (Euro) (-)	-	-
6- Euro net effect (4+5)	3,430	(3,430)
<u>20% change in other currencies against TL</u>		
7- Other net asset/liability	(9,127)	9,127
8- Hedged risk (Other) (-)	-	-
9- Other net effect (7+8)	(9,127)	9,127
Total (3+6+9)	752,704	(752,704)

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

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

22.3 Market risk (*cont'd*)

Price risk

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

As at 31 December 2020 and 31 December 2019, in case of having a 20% decrease/increase in İstanbul Stock Exchange stock market index while having all other variables constant, the effects on profit or loss and comprehensive income would be as follows:

31 December 2020	Profit / (loss)		Equity ^(*)	
	20% increase	20% decrease	20% increase	20% decrease
<i>Financial assets at fair value through profit or loss</i>				
- Stocks	31,191	(31,191)	31,191	(31,191)
<i>Financial assets at fair value through other comprehensive income</i>				
- Stocks	-	-	234,996	(234,996)
Total	31,191	(31,191)	266,187	(266,187)

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

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

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

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

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

22.3 Market risk (*cont'd*)

Interest rate risk

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

		31 December 2020	31 December 2019
Financial instruments with fixed interest rate			
	Financial assets at fair value through profit or loss	566,629	332,450
Financial assets	Time deposits	129,492,235	97,152,042
	Receivables from reverse repurchase agreements	42,395,548	10,190,027
Trade receivables	Receivables from loan customers	74,794,386	57,978,799
Financial instruments with floating interest rate			
Financial assets	Financial assets at fair value through profit or loss	37,137,844	12,847,329

Interest risk position table

Stocks are not included in financial investments.

The Company's debt securities classified as financial assets at fair value through profit/loss, are exposed to price risk depending upon interest rate changes in the market. Based on the analysis calculated by the Company, if the interest rate for TL were increased or decreased by 1% holding all other factors constant, the effect on the fair value of fixed income financial assets and net profit/loss and the effect on equity for the period ended as at 31 December 2020 is detailed in the table below. The sensitivity analysis is applied on the same basis also in 2019.

	Profit / (loss)		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2020				
Financial investments	(1,185,518)	1,249,414	(1,185,518)	1,249,414
31 December 2019				
Financial investments	(2,729,714)	4,389,395	(2,729,714)	4,389,395

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

22.4 Capital management

As of 31 December 2020 and 31 December 2019, the minimum liability for shareholders' equity that the Company should possess shall be TL 28,693,544 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 342,669,019 as of 31 December 2020 (31 December 2019: TL 213,667,772). The base of adequacy cannot be less than the items stated below.

a) Minimum capital corresponding the license obtained,

b) Risk provision,

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

As of 31 December 2020, the capital adequacy base of the Company is higher than the abovementioned items.

Risk provision

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

As of 31 December 2020 and 31 December 2019, the risk provision amounts calculated in accordance with the Communiqué: V, No: 34 are as follows:

	31 December 2020	31 December 2019
Position risk	21,146,668	15,323,435
Counter party risk	25,375,287	18,559,812
Total risk provision	46,521,955	33,883,247

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

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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.

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

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short-term)	37,860,428	-	-	37,860,428
Financial investments (long-term) (*)	1,174,981	1,517,254	4,078,360	6,770,595
(*) Stock investments amounting to TL 12,500 that are recognized at cost value are not included.				
(*) Stock investments amounting to TL 5 that are recognized at cost value are not included.				
31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short-term)	55,508,661	-	-	55,508,661
Financial investments (long-term) (*)	427,230	1,517,254	2,938,800	4,883,284
(*) Stock investments amounting to TL 12,500 that are recognized at cost value are not included.				
(*) Stock investments amounting to TL 5 that are recognized at cost value are not included.				

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Notes to the Financial Statements for the Year Ended 31 December 2020

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

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Financial instruments (*cont'd*)

Fair value disclosures (cont'd)

Classification of fair value measurement (cont'd)

Fair value of Halk Faktoring A.Ş. which is classified as Level 3 is measured by an independent valuation company by using comparable company value method which considers the weighted average of the amount and net asset value amounts calculated over the market value/book value factor and net asset value.

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

As of 31 December 2020 and 31 December 2019, 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.

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Other matters

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

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

In the meeting held by the Parent Bank's Board of Directors on 27 March 2020, it was decided to attend the District Court hearing on 31 March 2020, to accept the arraignment and to appoint Williams & Connolly law firm with a proxy to represent the Parent Bank.

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

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

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

District Court denied the Parent Bank's motion to dismiss the indictment on 1 October 2020. The Parent Bank appealed the Court of Appeals Second Circuit for the motion to dismiss the indictment with regard to Foreign Sovereign Immunity Act (exemption from the jurisdiction of the US courts). On 23 December 2020, the Court of Appeals Second Circuit granted the Parent Bank's motion to stay the case pending sovereign immunity appeal. Accordingly, the jury hearings are expected to be rescheduled instead of starting on 3 May 2021.

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Other matter (*cont'd*)

In addition, a civil case was filed against the Parent Bank on 27 March 2020 with a claim for damages by plaintiffs in the District Court "on the grounds that they (the plaintiffs) could not collect their judgments from Iran due to violations of sanctions" and it was served to the Parent Bank's attorneys on 1 July 2020. The Parent Bank filed a motion at the District Court to dismiss the complaint of plaintiffs on 25 September 2020. The motion process within this scope was completed on 16 December 2020. The civil case is pending at the District Court.

The proceedings of both the criminal case and civil case are closely monitored by the Parent Bank through law firms representing the bank.

The appeal process of the case which resulted in the conviction of the defendant former executive of the Parent Bank, who was released on 19 July 2019 and returned to Turkey, is completed. The decision of the conviction was upheld.

Effects of COVID 19

The new type of coronavirus, COVID-19, which emerged in Wuhan, China in December 2019, caused fatal respiratory diseases in the world and was described as a global epidemic by the World Health Organization on 11 March 2020. Various measures have been taken all over the world to protect against the negative effects of the disease that has become a pandemic, and economies have shrunk due to the measures that are taken.

Related Departments and the Company Management regularly monitors the possible effects of the pandemic on the Company's financial statements. The Company management concludes that the economic impacts of the pandemic has no material impact on the financial statements and going concern of the Company.

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Events after the reporting period

It was decided by the decision of the Board of Directors dated 3 February 2021 and numbered 2021/8 to move the General Directorate of the Company from its current operating address "Halide Edip Adivar Mahallesi Darülaceze Caddesi No:20 Şişli/İstanbul" to "Barbaros Mahallesi Mor Sümbül Sokak WBC İş Merkezi Blok No:9 İç Kapı No:21 Ataşehir/İstanbul" and to start operating in the new building as of 1 March 2021.