

**HALK YATIRIM MENKUL DEĞERLER
ANONİM ŞİRKETİ**

CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD
ENDED 30 JUNE 2020 AND
REPORT ON REVIEW

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

**(CONVENIENCE TRANSLATION OF THE REVIEW REPORT ON AUDIT OF FINANCIAL
INFORMATION ORIGINALLY ISSUED IN TURKISH)**

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

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

Introduction

We have reviewed the accompanying condensed statement of financial position of Halk Yatırım Menkul Değerler A.Ş. ("the Company") as at 30 June 2020, and the condensed statement of profit or loss, condensed statement of other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-months period then ended. The Company management is responsible for the preparation and fair presentation of this interim financial information in accordance with Turkish Accounting Standards 34 "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matter

We draw attention to the following which might affect the Parent Bank:

On 15 October 2019, an indictment prepared by the New York Southern District Attorney General of the United States ("US") Department of Justice for violation of Iranian sanctions and a lawsuit was filed against the Parent Bank in the New York Southern District Court ("District Court"). The criminal lawsuit action at the in the District Court is ongoing.

In addition, a civil lawsuit was filed against the Parent Bank on 27 March 2020 with a claim for compensation by some plaintiffs in th U.S. New York Southern District Court "on the grounds that they could not satisfy their judgements from Iran due to sanction violations" 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 conviction for the defendant former executive of the Parent Bank, who was released on 19 July 2019 and returned back to Turkey, is completed and the decision related to first proceeding is approved.

At this stage, the Parent Bank's Management stated that there were no penalty, compensation, sanction or 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.

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



İstanbul, 14 August 2020

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HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Condensed Statement of Financial Position as of 30 June 2020**

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

	Notes	Reviewed 30 June 2020	Audited 31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents	3	241,674,703	147,414,391
Financial investments	4	8,318,899	55,508,661
Trade receivables	5-6	197,688,054	137,280,436
- Trade receivables from related parties	5	1,814,501	494,887
- Trade receivables from third parties	6	195,873,553	136,785,549
Other receivables		49,047,238	20,639,529
Prepaid expenses		1,355,388	2,022,920
TOTAL CURRENT ASSETS		498,084,282	362,865,937
Non-current assets			
Financial investments	4	5,266,989	4,895,789
Property, plant and equipment	7	3,768,521	3,343,140
Intangible assets	8	1,208,542	1,076,426
Other non-current assets		3,046,002	2,743,393
Right-of-use assets	9	3,433,261	3,955,105
Deferred tax asset	11	1,088,494	-
TOTAL NON-CURRENT ASSETS		17,811,809	16,013,853
TOTAL ASSETS		515,896,091	378,879,790
LIABILITIES			
Current liabilities			
Trade payables	5-6	232,222,594	124,137,054
- Trade payables to related parties	5	20,148	1,258,685
- Trade payables to third parties	6	232,202,446	122,878,369
Other payables		12,021,898	10,362,761
Current tax liability	11	13,353,268	2,792,404
Short-term provisions		3,535,353	4,160,203
- Short-term provisions for employee benefits		2,935,407	3,368,187
- Other short-term provisions	10	599,946	792,016
Finance lease liabilities	9	956,662	2,377,089
TOTAL CURRENT LIABILITIES		262,089,775	143,829,511
Non-current liabilities			
Long-term provisions		2,692,136	2,530,486
- Long-term provisions for employee benefits		2,692,136	2,530,486
Finance lease liabilities		2,760,484	1,824,579
Deferred tax liability	11	-	518,702
TOTAL NON-CURRENT LIABILITIES		5,452,620	4,873,767
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	104,000,000	104,000,000
Restricted reserves appropriated from profit		33,087,795	23,453,751
Accumulated other comprehensive income (expenses) that will not be reclassified to profit or loss		3,302,608	2,804,694
-Gains (losses) on remeasurement and reclassification		4,108,461	3,610,547
-Other gains (losses)		(805,853)	(805,853)
Prior years' profit or losses		35,241,700	8,933,823
Net profit or loss for the period		72,721,593	90,984,244
TOTAL EQUITY		248,353,696	230,176,512
TOTAL LIABILITIES AND EQUITY		515,896,091	378,879,790

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Condensed Statement of Profit or Loss and Other Comprehensive Income
for the Period Ended 30 June 2020

(Currency: Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	Reviewed 1 January - 30 June 2020	Reviewed 1 April - 30 June 2020	Reviewed 1 January - 30 June 2019	Reviewed 1 April - 30 June 2019
PROFIT OR LOSS					
Revenue	13	735,987,530	354,716,093	285,730,713	198,922,516
Cost of sales	13	(638,150,415)	(306,894,469)	(237,532,677)	(174,182,746)
GROSS PROFIT (LOSS)		97,837,115	47,821,624	48,198,036	24,739,770
General administrative expenses	14	(24,801,570)	(12,567,632)	(20,737,233)	(10,977,434)
Marketing expenses	14	(13,993,817)	(7,991,571)	(7,421,279)	(3,620,259)
Other income from operating activities		1,333,181	1,213,724	4,429,655	398,993
Other expenses from operating activities		(369,667)	(151,777)	(113,658)	(96,568)
OPERATING PROFIT (LOSS)		60,005,242	28,324,368	24,355,521	10,444,502
Finance income	15	56,447,937	33,683,292	80,363,488	41,818,178
Finance expenses	15	(22,869,337)	(12,416,788)	(62,240,798)	(31,652,143)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		93,583,842	49,590,872	42,478,211	20,610,537
Tax (expense) income from continuing operations					
- Current tax (expense) income	11	(22,469,445)	(14,657,334)	(8,870,497)	(4,094,715)
- Deferred tax (expense) income	11	1,607,196	1,855,891	30,788	(378,652)
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		72,721,593	36,789,429	33,638,502	16,137,170
PROFIT (LOSS) FOR THE PERIOD		72,721,593	36,789,429	33,638,502	16,137,170
OTHER COMPREHENSIVE INCOME		371,200	371,200	19,426	6,475
Items that will not be reclassified to profit or loss					
Other comprehensive income items that will not be reclassified to profit or loss		371,200	371,200	19,426	6,475
TOTAL COMPREHENSIVE INCOME (EXPENSE)		73,092,793	37,160,629	33,657,928	16,143,645

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Condensed Statement of Changes in Equity for the Period Ended 30 June 2020

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

	Notes	Share capital	Accumulated	Accumulated	Restricted reserves appropriated from profit	Retained earnings		Equity
			other comprehensive income that will be reclassified subsequently to profit or loss	other comprehensive income that will not be reclassified subsequently to profit or loss		Prior years' profits / (losses)	Net profit/(loss) for the period	
			Gains on revaluation and reclassification	Other gains/losses				
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		-	-	-	-	-	33,638,502	33,638,502
Other comprehensive income (expense)		-	-	19,426	-	-	-	19,426
<i>Revaluation and reclassification gains</i>		-	-	<i>19,426</i>	-	-	-	<i>19,426</i>
Total comprehensive income (expense)		-	-	19,426	-	-	33,638,502	33,657,928
Dividend payment	12	-	-	-	-	(49,763,013)	-	(49,763,013)
Balances as of 30 June 2019		104,000,000	-	1,443,571	23,453,751	8,933,823	33,638,502	171,469,647
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		-	-	126,714	9,634,044	81,223,486	(90,984,244)	-
Profit (loss) for the period		-	-	-	-	-	72,721,593	72,721,593
Other comprehensive income (expense)		-	-	371,200	-	-	-	371,200
<i>Revaluation and reclassification gains</i>		-	-	<i>371,200</i>	-	-	-	<i>371,200</i>
Total comprehensive income (expense)		-	-	371,200	-	-	72,721,593	73,092,793
Dividend payment	12	-	-	-	-	(54,915,609)	-	(54,915,609)
Balances as of 30 June 2020		104,000,000	-	3,302,608	33,087,795	35,241,700	72,721,593	248,353,696

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Condensed Statement of Cash Flows

for the Period Ended 30 June 2020

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

	Notes	Reviewed 1 January- 30 June 2020	Reviewed 1 January- 30 June 2019
A. Cash flows from operating activities		129,178,500	95,772,491
Profit (Loss) for the Period		72,721,593	33,638,502
Adjustments to reconcile net profit (loss) for the period:			
Adjustments related to depreciation and amortization expenses	7-8-9	1,543,133	688,780
Adjustments related to provisions		2,325,753	1,503,911
-Adjustments related to provision for doubtful receivable expense	6	141,331	(77,837)
-Adjustments related to provision for retirement pay expense		403,662	130,412
-Adjustments related to provision for unused vacation expense		438,006	128,894
-Adjustments related to provision for personnel dividend premium		1,534,824	1,311,221
-Adjustments related to provision for payables expense		(192,070)	11,221
Adjustments related to tax (income) expense		20,862,249	8,839,709
-Adjustments related to current tax expense	11	22,469,445	8,870,497
-Adjustments related to deferred tax income/(expense)	11	(1,607,196)	(30,788)
Adjustments related to interest income and expenses		(10,354,684)	(842,692)
-Adjustments related to interest income	15	(28,810,549)	(57,241,780)
-Adjustments related to interest expenses	15	18,455,865	56,399,088
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		(60,548,949)	(463,482,582)
Adjustments related to increase/decrease in trade payables		108,085,540	469,167,332
Increase/decrease in financial investments		47,189,762	30,449,517
Adjustments related to other increase/decrease in working capital		(90,972,440)	(38,707,494)
Adjustments related to increase/decrease in lease payables		37,322	179,779
Cash flows from operating activities			
Interests received		29,028,262	57,307,822
Dividends received		765,910	415,272
Tax (payments) returns	11	11,908,581	(1,348,785)
Personnel premium paid		(2,647,622)	(2,110,041)
B. Cash flows from investing activities:		(1,191,978)	12,576,526
Cash inflows from sale of other long-term assets		371,200	13,125,000
Cash outflows from the purchase of property, plant and equipment	7	(1,112,383)	(425,537)
Cash outflows from the purchase of intangible assets	8	(450,795)	(122,937)
C. Cash flows from financing activities		(72,990,577)	(158,141,602)
Net proceeds from borrowings		-	(52,355,826)
Interest paid		(18,074,968)	(56,022,763)
Dividends paid	12	(54,915,609)	(49,763,013)
Net increase (decrease) in cash and cash equivalents before the effect of foreign currency translation differences (A+B+C)		54,995,945	(49,792,585)
D. Effects of foreign currency translation differences on cash and cash equivalents		1,610,911	374,441
Net increase (decrease) in cash and cash equivalents (A+B+C+D)		56,606,856	(49,418,144)
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	169,314,748	44,587,431

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

(Currency: Turkish Lira (“TL”) unless otherwise indicated.)

1 Organization and operations of the Company

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

Under the Capital Market Law’s serial III-37.1 numbered “Disclosure of Investment Services and Operations with Ancillary Services Principles” that was published in official gazette on 11 July 2013 and come into force on 1 July 2014, the Company carries out its activities as “Broad Authorized Intermediary Firm”.

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

The Company operates with 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 Headquarters of the Company is Halide Edip Adivar Mah. Darülaceze Cad. No: 20 Şişli / İstanbul.

As at 30 June 2020, the Company has 135 employees (30 December 2019: 134).

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

	30 June 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 has approved the financial statements and delegated authority for publishing it on 14 August 2020.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

(Currency: Turkish Lira (“TL”) unless otherwise indicated.)

2

Basis of presentation of financial statements

Basis of presentation

Statement of Compliance in TFRS

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

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

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

Currency Used

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

Preparation of financial statements in hyperinflationary periods

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

Comparative Information and Adjustments to Previous Financial Statements

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

Changes in Accounting Policies

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

Changes in Accounting Estimates and Errors

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

(Currency: Turkish Lira (“TL”) unless otherwise indicated.)

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

Changes in Accounting Estimates and Errors (cont’d)

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

New and Amended Turkish Financial Reporting Standards

a) Amendments 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.

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:

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

(Currency: Turkish Lira (“TL”) unless otherwise indicated.)

2

Basis of presentation of 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 (cont’d)

- 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; 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 selected early application of the amendments.

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, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 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, TFRS 16 and TAS 41</i>

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

(Currency: Turkish Lira (“TL”) unless otherwise indicated.)

2

Basis of presentation of financial statements (cont’d)

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

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

Amendments to TAS 1 are deferred and 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 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 recognises 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 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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

(Currency: Turkish Lira (“TL”) unless otherwise indicated.)

2

Basis of presentation of financial statements (cont’d)

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

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

Annual Improvements to TFRS Standards 2018-2020

Amendments to TFRS 1 *First time adoption of Turkish 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.

Summary of significant accounting policies

The condensed interim financial statements for the six-month interim period ended 30 June 2020 have been prepared in accordance with TAS 34 for the preparation of interim condensed financial statements. In addition, interim condensed financial statements as of 30 June 2020 have been prepared by applying accounting policies consistent with the accounting policies applied in the preparation of the financial statements for the year ended 31 December 2019. Therefore, these interim condensed financial statements should be evaluated along with the financial statements for the year ended 31 December 2019.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

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

3

Cash and cash equivalents

Cash and cash equivalents as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Banks	241,477,589	137,244,242
- Time deposit	156,924,329	97,152,042
- Demand deposit	84,553,260	40,092,200
Receivables from reverse repurchase agreements	229,714	10,190,027
Expected credit loss provision (-)	(32,600)	(19,878)
Cash and cash equivalents represented on statement of financial position	241,674,703	147,414,391
Interest income accruals on cash and cash equivalents	(384,329)	(602,042)
equivalents	32,600	19,878
Customer deposits ⁽¹⁾	(72,008,226)	(34,124,335)
Total cash and cash equivalents on statement of cash flows	169,314,748	112,707,892

⁽¹⁾ TL 72,008,226 (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 30 June 2020.

As of 30 June 2020, TL 156,924,329 of time deposits (31 December 2019: TL 97,152,042) and TL 81,313,113 of demand deposits (31 December 2019: TL 37,907,470) is at T. Halk Bankası A.Ş., the main shareholder of the Company.

As of 30 June 2020, the interest rate applied to reverse repurchase agreements is 7.90% and their maturity is 1 day (31 December 2019: 11.37% with maturity of 1 day).

As of 30 June 2020 and 31 December 2019, the details of time deposits of the Company are as follows:

30 June 2020				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
T. Halk Bankası A.Ş.	8.25%-8.50%	1 July 2020-17 August 2020	TL	156,924,329
Total				156,924,329

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 30 June 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 Condensed Financial Statements for the Period Ended 30 June 2020

(Currency: Turkish Lira (“TL”) unless otherwise indicated.)

4

Financial investments

Short-term financial investments

As of 30 June 2020 and 31 December 2019, short-term financial investments are as follows:

Financial assets at fair value through profit or loss

	30 June 2020		31 December 2019	
	Nominal value	Carrying value	Nominal value	Carrying value
Shares (Note 5)*	-	-	21,432,345	42,328,882
Private sector bonds	2,877,000	2,897,628	12,535,000	12,602,976
Government bonds	721,660	5,421,271	263,729	576,803
Total		8,318,899		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 will be collected in cash.

Long-term financial investments

As of 30 June 2020 and 31 December 2019, long-term financial investments are as follows:

Financial assets at fair value through other comprehensive income

Share investments	30 June 2020		31 December 2019	
	Carrying value	Ownership (%)	Carrying value	Ownership (%)
Borsa İstanbul A.Ş. ⁽¹⁾	1,517,254	0.038	1,517,254	0.038
Halk Faktoring A.Ş.	2,938,800	1.240	2,938,800	1.240
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	798,430	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	5,266,989		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 Condensed Financial Statements for the Period Ended 30 June 2020

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

5

Related party disclosures

Receivables from related parties and payables to related parties

Assets from related parties and liabilities to related parties as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
Cash and cash equivalents		
T. Halk Bankası A.Ş.	238,237,443	135,059,513
-Time deposits	156,924,329	97,152,042
-Demand deposits	81,313,113	37,907,470
Financial investments		
Halk Sigorta A.Ş.	-	42,328,882
-Stock shares	-	42,328,882
Halk Varlık Kiralama A.Ş.	1,862,628	-
-Lease certificate	1,862,628	-
Halk Faktoring A.Ş.	2,938,800	2,938,800
-Stock shares	2,938,800	2,938,800
T.Halk Bankası A.Ş.	1,035,000	702,130
-Commercial paper	1,035,000	702,130
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	798,430	427,230
-Stock shares	798,430	427,230
Halk Finansal Kiralama A.Ş.	5	5
-Stock shares	5	5
Total	244,872,305	181,456,560
	30 June 2020	31 December 2019
Trade receivables from related parties		
T.Halk Bankası A.Ş.	1,814,501	460,032
Halk Sigorta A.Ş.	-	288
Halk Hayat ve Emeklilik A.Ş.	-	34,567
Total	1,814,501	494,887
	30 June 2020	31 December 2019
Payables to related parties		
Halk Sigorta A.Ş.	-	1,250,590
T. Halk Bankası A.Ş.	16,040	6,574
Bileşim Alternatif Dağıtım Kanalları A.Ş.	4,108	1,521
Total	20,148	1,258,685

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

(Currency: Turkish Lira (“TL”) unless otherwise indicated.)

5

Related party disclosures (*cont’d*)

Transactions with related parties

Transactions with related parties for the periods ended 30 June 2020 and 30 June 2019 are as follows:

Income from related parties

	1 January – 30 June 2020	1 April – 30 June 2020	1 January – 30 June 2019	1 April – 30 June 2019
<u>T. Halk Bankası A.Ş.</u>				
Commission income on public offerings	9,486,771	6,548,256	9,238,630	6,140,630
Interest income on deposits	6,649,874	4,003,608	5,386,672	648,217
Brokerage commission income	4,017	-	1,204,030	1,204,030
Consultancy service income	592,000	306,000	510,000	265,000
Amortization income on bonds	-	-	26,073	26,073
<u>Halk Emeklilik Fonları</u>				
Commission income from brokerage	1,281,938	538,256	1,283,470	762,038
<u>Halk Finansal Kiralama A.Ş.</u>				
Commission income on public offerings	362,500	125,000	543,750	156,250
Amortization income on bonds	6,109	6,109	-	-
<u>Halk Sigorta A.Ş.</u>				
Consultancy service income	15,000	-	30,000	15,000
Brokerage commission income	-	-	98	-
<u>Halk Hayat ve Emeklilik A.Ş.</u>				
Consultancy service income	60,000	-	60,000	60,000
Brokerage commission income	-	-	47	-
<u>Halk Portföy Yönetimi A.Ş.</u>				
Income from the sale of subsidiary	-	-	3,500,427	-
Service income	-	-	11,601	11,601
<u>Halk Varlık Kiralama A.Ş.</u>				
Sukuk issuance brokerage commission income	2,563,000	1,323,000	2,377,500	1,502,500
Amortization income from lease certificate	24,632	24,632	-	-
<u>Halk Faktoring A.Ş.</u>				
Brokerage commission income	-	-	210,000	-
Total	21,045,841	12,874,861	24,382,297	10,791,338

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 will be collected in cash.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

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

5

Related party disclosures (*cont'd*)

Transactions with related parties (*cont'd*)

Payables to related parties

	1 January – 30 June 2020	1 April – 30 June 2020	1 January – 30 June 2019	1 April – 30 June 2019
<u>T. Halk Bankası A.Ş.</u>				
Rent expenses	980,394	481,207	862,965	403,984
Common expense contribution expense	230,093	104,596	366,573	202,051
Commissions of guarantee letter	36,841	18,588	30,240	15,831
Bank charges	30,541	14,772	27,242	15,067
<u>Halk Sigorta A.Ş.</u>				
Personnel expenses (Health/insurance expenses)	334,540	-	537,227	273,786
Repurchase agreements interest expense	-	-	19,390	-
<u>Halk Hayat ve Emeklilik A.Ş.</u>				
Personnel expenses (Death insurance expenses)	12,350	-	21,731	11,139
Common expense contribution expense	14,773	-	19,621	6,386
Repurchase agreements interest expense	-	-	1,950	482
<u>Bileşim Alternatif Dağıtım Kanalları A.Ş.</u>				
Service expense	11,165	6,008	12,404	2,412
Repurchase agreements interest expense	-	-	705	-
Total	1,650,697	625,171	1,900,048	931,138

Benefits provided to key management

The key personnel received remuneration and fees amounting in total TL 962,036 for the period ended 30 June 2020 (30 June 2019: TL 1,417,302).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

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

6

Trade receivables and payables

Trade receivables

As of 30 June 2020 and 31 December 2019 trade receivables of the Company are as follows:

	30 June 2020	31 December 2019
Receivables from loan customers ⁽¹⁾	65,167,163	57,978,799
Futures and options market collaterals	109,173,686	67,242,282
Leveraged trade collaterals	12,692,368	9,888,163
Receivables from customers	8,840,336	1,413,661
Collaterals of borrowed securities	-	262,644
Due from related parties (Note 5)	1,814,501	494,887
Doubtful trade receivables	433,729	292,398
Provision for doubtful trade receivables	(433,729)	(292,398)
Total	197,688,054	137,280,436

(1) As of 30 June 2020, the average interest rate applied to the loan customers is 14.78% (31 December 2019: 16.89%).

The movement of the provision of doubtful receivables of the Company as of 30 June 2020 and 30 June 2019 is as follows:

	1 January - 30 June 2020	1 January - 30 June 2019
Beginning of the period	292,398	564,173
Provisions made within the period	141,331	-
Collected in the period	-	(132,590)
Provision released	-	(77,837)
End of the period	433,729	353,746

Trade payables

As of 30 June 2020 and 31 December 2019, trade payables of the Company is as follows:

	30 June 2020	31 December 2019
Leveraged trade collaterals	11,576,972	9,002,507
Futures and options market collaterals	107,003,063	66,105,713
Payables to customers	109,959,145	45,531,312
Suppliers	3,663,266	1,976,193
Payables to related parties (Note 5)	20,148	1,258,685
Guarantees received for securities lent	-	262,644
Total	232,222,594	124,137,054

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

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

7 Property, plant and equipment

The movement of property, plant and equipment for the years ended 30 June 2020 and 30 June 2019, 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	366,634	19,907	38,996	425,537
Closing balance, 30 June 2019	3,979,824	1,958,350	2,610,905	8,549,078
Opening balance, 1 January 2020	5,365,128	2,020,775	2,816,183	10,202,086
Additions	733,944	89,222	289,217	1,112,383
Closing balance, 30 June 2020	6,099,072	2,109,997	3,105,400	11,314,469
Accumulated depreciation				
Opening balance, 1 January 2019	1,833,696	1,706,150	2,312,008	5,851,854
Charge for the period	353,741	43,923	79,310	476,974
Closing balance, 30 June 2019	2,187,437	1,750,073	2,391,318	6,328,828
Opening balance, 1 January 2020	2,592,951	1,796,572	2,469,422	6,858,945
Charge for the period	539,056	47,315	100,632	687,003
Closing balance, 30 June 2020	3,132,007	1,843,887	2,570,054	7,545,948
Net carrying value				
30 June 2019	1,792,387	208,277	219,587	2,220,250
30 June 2020	2,967,065	266,110	535,346	3,768,521

During the period ended on 30 June 2020, purchase of property, plant and equipment amounting to TL 1,112,383 has been realized (30 June 2019: TL 425,537).

As of 30 June 2020, total insurance on property, plant and equipment is TL 8,639,750 (30 June 2019: TL 7,608,598).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

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

8 Intangible assets

The movement of intangible assets for the years ended 30 June 2020 and 30 June 2019 is as follows:

	Software
Cost value	
Opening balance, 1 January 2019	3,383,786
Additions	122,937
Closing balance, 30 June 2019	3,506,723
Opening balance, 1 January 2020	4,065,629
Additions	450,795
Closing balance, 30 June 2020	4,516,424
Accumulated amortization	
Opening balance, 1 January 2020	2,513,224
Charge for the period	211,806
Closing balance, 30 June 2020	2,725,030
Opening balance, 1 January 2020	2,989,203
Charge for the period	318,679
Closing balance, 30 June 2020	3,307,882
Net carrying value	
30 June 2019	781,693
30 June 2020	1,208,542

During the period ended on 30 June 2020 purchase of intangible assets amounting to TL 450,795 has been realized (30 June 2019: TL 122,937).

9 Right-of-use assets and lease liabilities

As at 30 June 2020, movement of right-of-use assets and lease liabilities is as follows:

	Building lease rights	Vehicle lease rights	Total
Cost			
Opening balance, 1 January 2020	3,947,499	2,059,416	6,006,915
Additions	-	1,095,654	1,095,654
Disposals	(1,190,616)	-	(1,190,616)
Closing balance, 30 June 2020	2,756,883	3,155,070	5,911,953
Accumulated depreciation			
Opening balance, 1 January 2020	1,846,676	205,134	2,051,810
Charge for the period	222,832	314,619	537,451
Disposals	(110,569)	-	(110,569)
Closing balance, 30 June 2020	1,958,940	519,753	2,478,692
Net carrying value			
30 June 2020	797,943	2,635,317	3,433,261

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

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

9 Right-of-use assets and lease liabilities (*cont'd*)

	30 June 2020	31 December 2019
Breakdown of lease liabilities		
Current	956,663	2,377,089
Non-current	2,760,484	1,824,579
Closing balance	3,717,146	4,201,668

10 Provisions, contingent assets and liabilities

Other short-term provisions

As at 30 June 2020 and 31 December 2019, provisions for short-term liabilities are as follows:

	30 June 2020	31 December 2019
Lawsuit provision	510,800	709,950
Expenses payable	13,929	14,945
Common expense contribution share	75,217	67,119
Other expense provisions	-	2
Total	599,946	792,016

Off balance sheet liabilities

As at 30 June 2020 and 31 December 2019, off balance sheet liabilities are as follows:

Letters of guarantee

	30 June 2020	31 December 2019
Istanbul Stock Exchange (ISE)	80,000	80,000
CMB	1,776	1,776
Other	211,304	85,754
Total	293,080	167,530

As of 30 June 2020, the Company has guarantees given to liquidity providers in order to perform transaction on foreign marketable securities market amounting to USD 2,000,000 (31 December 2019: USD 2,000,000).

Other off balance sheet liabilities

Items held in custody (nominal)	30 June 2020	31 December 2019
Stocks	3,622,293,722	2,424,136,261
Warrants	30,896,998	7,297,094
Other securities	5,906,519,066	2,790,145,696
Futures and options market agreements (number)	449,007	274,736

As of 30 June 2020 there are futures and options market transaction collaterals amounting to TL 107,003,063 held at Takasbank (31 December 2019: TL 66,105,713).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

(Currency: Turkish Lira (“TL”) unless otherwise indicated.)

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

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

As at 30 June 2020 and 31 December 2019 open position transactions made on behalf of the customers in futures and options market are as follows:

	30 June 2020	31 December 2019
Open transaction amount	375,999,845	302,725,808

Lawsuits

As at 30 June 2020, total risk of lawsuits sued against the Company are amounting to approximately TL 510,800 (31 December 2019: TL 671,100) and TL 510,800 of provision is provided for these lawsuits on the financial statements (31 December 2019: TL 671,100).

	1 January – 30 June 2020	1 January – 30 June 2019
Beginning of the period	709,950	619,500
Increase in the period	30,850	51,600
Provision released	(230,000)	-
End of the period	510,800	671,100

11 Tax assets and liabilities

As of 30 June 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 come into force as of 1 January 2007. New arrangements for transfer pricing are in line with basis and principles in guidelines of OECD about transfer pricing.

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

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

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

11

Tax assets and liabilities (*cont'd*)

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 - 25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

(Currency: Turkish Lira (“TL”) unless otherwise indicated.)

11 Tax assets and liabilities (cont’d)

A reconciliation illustrates the differences between the total tax provision and the amount calculated by applying the legal tax rate to the profit before tax of the periods ended 30 June 2020 and 30 June 2019:

	1 January – 30 June 2020	1 April – 30 June 2020	1 January – 30 June 2019	1 April – 30 June 2019
Profit before tax	93,583,842	49,590,872	42,478,211	20,610,537
Corporate tax calculated with statutory tax rate (22%)	20,588,445	10,909,992	9,345,206	4,534,318
Non-deductible expenses	103,566	59,505	34,513	(111,104)
Non-taxable income	170,238	1,831,946	(540,010)	(6,131)
Effect of temporary difference of future corporate tax	-	-	-	56,284
Tax expense	20,862,249	12,801,443	8,839,709	4,473,367

	1 January – 30 June 2020	1 April – 30 June 2020	1 January – 30 June 2019	1 April – 30 June 2019
Current tax expense	(22,469,445)	(14,657,334)	(8,870,497)	(4,094,715)
Deferred tax (expense)/income	1,607,196	1,855,891	30,788	(378,652)
Tax expense	(20,862,249)	(12,801,443)	(8,839,709)	(4,473,367)

As at 30 June 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.

	30 June 2020	31 December 2019
Prepaid provisional tax	9,116,177	16,200,307
Current corporate tax expense	(22,469,445)	(18,992,711)
Current tax (liabilities) / assets	(13,353,268)	(2,792,404)

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Condensed Financial Statements for the Period Ended 30 June 2020

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

11 Tax assets and liabilities (cont'd)

Deferred Tax

As at 30 June 2020 and 31 December 2019, details of net deferred tax assets and liabilities are as follows:

	30 June 2020	31 December 2019
Deferred tax assets		
Provision for employment termination benefits	538,427	506,097
Unused vacation provision	308,128	224,001
Provision for personnel dividend premium	337,661	517,000
Allowance for doubtful receivables	38,017	-
Lawsuit provision	112,376	156,189
Total deferred tax assets	1,334,609	1,403,287
Deferred tax liabilities		
Financial investments	(72,139)	(1,715,084)
Effect of depreciation and amortisation method difference between tax regulations on tangible and intangible assets	(173,976)	(206,905)
Total deferred tax liability	(246,115)	(1,921,989)
Net deferred tax asset / (liability)	1,088,494	(518,702)

12 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 30 June 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 resulting from the new amendment to TAS 19 (2011), effective for the periods beginning on or after 31 December 2012, are recognized as "other earnings" under other comprehensive income.

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Shareholders' equity (*cont'd*)

Retained earnings

As of 30 June 2020, the Company has retained earnings profit amounting to TL 35,241,700 (31 December 2019: TL 8,933,823).

13

Revenue and cost of sales

Income from operating activities for the years ended 30 June 2020 and 30 June 2019 is as follows:

	1 January – 30 June 2020	1 April – 30 June 2020	1 January – 30 June 2019	1 April – 30 June 2019
Sales revenue				
Government bond sales	97,067,780	43,331,867	135,225,099	126,710,202
Asset backed security sales	-	-	25,236,739	-
Stock sales	41,687,867	40,170,773	699,114	569,188
Private sector bond sales	16,479,468	1,158,222	12,595,966	10,894,988
Commercial paper sales	6,544,900	2,456,963	50,477,517	29,467,690
Eurobond sales	459,010,855	199,358,220	14,225,252	7,047,282
Total sales revenue	620,790,870	286,476,045	238,459,687	174,689,350
Services				
Stock commission income	85,522,335	51,663,823	18,330,891	8,015,845
Interest income from customers	4,915,705	2,238,878	8,854,384	4,260,726
Public and issued commissions	12,847,271	8,196,256	12,599,880	7,804,380
Commissions on common stock trading	85,313	24,340	59,100	30,141
Repo-reverse repo commissions	909,708	293,901	1,198,479	586,383
Takasbank Money Market brokerage	116,310	64,250	274,403	69,799
Futures and options market income commission	6,392,452	3,351,471	3,440,664	2,165,367
Securities Lending Market and other commission income	120,517	53,391	120,889	61,231
Leveraged trade collaterals	2,278,414	1,337,244	1,576,268	842,073
Funds management commission income	1,236,667	624,583	123,790	53,689
Consulting and portfolio management service income	771,968	391,911	692,278	343,532
Total service revenue	115,196,660	68,240,048	47,271,026	24,233,166
Total sales revenue	735,987,530	354,716,093	285,730,713	198,922,516
Cost of sales				
Government bond purchases	95,369,894	42,312,150	134,650,924	126,277,621
Asset backed security sales	-	-	25,000,000	-
Stock purchases	65,637,324	64,111,355	702,232	569,745
Private sector bond purchases	16,344,712	1,158,000	12,587,073	10,887,073
Commercial paper purchases	6,528,289	2,456,166	50,422,025	29,443,360
Eurobond purchases	454,270,196	196,856,798	14,170,423	7,004,947
Total cost of sales	638,150,415	306,894,469	237,532,677	174,182,746
Gross profit	97,837,115	47,821,624	48,198,036	24,739,770

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General administrative and marketing expenses

General administrative expenses for the years ended 30 June 2020 and 30 June 2019 are as follows:

<i>General administrative income</i>	1 January – 30 June 2020	1 April – 30 June 2020	1 January – 30 June 2019	1 April – 30 June 2019
Personnel expenses	16,218,497	8,129,453	13,561,140	7,049,433
-Salaries	11,188,028	5,657,020	9,634,690	5,016,997
-Personnel insurance and bonus expenses	2,681,691	1,432,352	2,297,720	1,257,479
-Personnel service and travel expenses	473,384	228,595	252,886	131,049
-Personnel retirement pay expenses	161,650	90,970	130,412	128,290
-Personnel retirement pay payments	242,012	57,852	-	-
-Personnel food expenses	435,312	209,710	365,929	182,022
-Other personnel expenses	1,036,420	452,954	879,503	333,596
Data monitor and distribution expenses	1,315,106	730,267	682,834	419,980
Rent expenses	920,592	389,062	1,269,077	633,161
Depreciation and amortization expenses	1,543,133	792,068	688,780	351,719
Outsourced benefits and services	1,631,635	847,656	1,414,742	828,949
Communication expenses	960,136	567,729	649,826	321,954
Taxes and dues	493,507	274,781	782,336	486,949
Common expenses participation provision expenses	401,375	159,606	383,716	141,748
Audit and advisory expenses	210,537	105,629	157,414	63,387
Vehicle rent and fuel expenses	316,947	169,341	517,739	266,042
Maintenance and repair expenses	486,087	251,903	195,377	145,764
Representation expenses	15,971	4,663	90,657	58,083
Other	288,047	145,474	343,595	210,265
Total	24,801,570	12,567,632	20,737,233	10,977,434

Marketing expenses for the years ended 30 June 2020 and 30 June 2019 are as follows:

<i>Marketing expenses</i>	1 January – 30 June 2020	1 April – 30 June 2020	1 January – 30 June 2019	1 April – 30 June 2019
Share of stock exchange expenses	6,983,642	3,943,053	3,437,868	1,757,857
Data monitor and distribution expenses	3,501,953	1,957,459	1,839,943	879,804
Commercial paper issue expenses	-	-	604,438	120,054
Commission and service expenses	1,768,406	1,115,785	783,745	465,877
Advertising, notice and subscription expenses	1,104,487	670,480	307,847	137,239
Stock exchange and association expenses	176,189	70,172	163,310	81,655
Stock exchange access expense	287,498	146,814	191,219	135,800
Sponsorship expenses	121,667	59,167	50,000	25,000
Internet ve website expenses	8,301	6,074	9,598	-
Other	41,674	22,567	33,311	16,973
Total	13,993,817	7,991,571	7,421,279	3,620,259

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Finance income and expenses

As of 30 June 2020 and 30 June 2019, the details of financial income and expenses are as follows:

<i>Finance income</i>	1 January – 30 June 2020	1 April – 30 June 2020	1 January – 30 June 2019	1 April – 30 June 2019
Interest income on time deposit	6,649,874	4,003,608	5,386,672	653,787
Interest income on reverse repurchase agreements	10,621,507	5,077,930	26,765,385	14,861,009
Fixed yield security redemption, coupon and rediscount income	10,622,281	9,458,338	1,178,036	299,612
Futures and options market and other guarantees interest income	877,052	446,571	2,065,457	1,540,402
Takasbank money market interest income	39,835	28,742	21,846,230	21,437,101
Derivative income	-	-	16,562,248	115,889
Foreign exchange gains	5,852,029	2,914,755	6,542,194	2,906,077
Valuation differences of stocks	21,474,427	11,615,545	4,301	4,301
Other	310,932	137,803	12,965	-
Total	56,447,937	33,683,292	80,363,488	41,818,178

<i>Finance expenses</i>	1 January – 30 June 2020	1 April – 30 June 2020	1 January – 30 June 2019	1 April – 30 June 2019
Takasbank borrowing and credit interest expenses	-	-	5,447,307	-
Commercial paper interest expenses	-	-	33,158,925	20,133,093
Interest expense on repurchase agreements	18,455,865	10,130,045	17,792,856	8,657,820
Foreign exchange loss	3,635,496	2,050,400	5,284,740	2,618,342
Valuation differences of stocks	-	-	-	-
Letter of guarantee commissions	36,106	17,993	556,725	242,704
Derivative expenses	741,811	218,325	-	-
Other	59	25	245	184
Total	22,869,337	12,416,788	62,240,798	31,652,143

16 Nature and level of risks related to financial instruments

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

16.1 Credit risk

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

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

16.1 Credit risk (*cont'd*)

Credit risks exposed by types of financial instruments:

30 June 2020	Receivables			Cash at banks ⁽¹⁾	Derivative Financial Instruments	Financial investments ⁽²⁾
	Trade receivables		Other receivables			
	Related party	Other party	Other party			
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	1,814,501	196,307,282	49,047,238	241,674,703	-	8,318,899
- Secured portion of the maximum credit risk by guarantees etc.	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	1,814,501	195,873,553	49,047,238	241,674,703	-	8,318,899
B. Net book value of financial assets of which the terms are renegotiated otherwise which will be regarded as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-	-	-
- Secured portion of the maximum credit risk by guarantees etc.	-	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-	-
- Past due (gross amount)	-	433,729	-	-	-	-
- Impairment (-)	-	433,729	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-
- Not passed due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-
E. Off-balance sheet items which include credit risks	-	-	-	-	-	-

(1) Receivables from reverse repo transactions amounting to TL 229,714 stated under cash and cash equivalents are included.

31 December 2019	Receivables			Cash at banks ⁽¹⁾	Derivative Financial Instruments	Financial investments ⁽²⁾
	Trade receivables		Other receivables			
	Related party	Other party	Other party			
Maximum credit risk exposed as of 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 of which the terms are renegotiated otherwise which will be regarded as past due or impaired	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	-	-	-	-	-
- Secured portion of the maximum credit risk 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 value by guarantees, etc.	-	-	-	-	-	-
- Not passed due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-
E. Off-balance sheet items which include credit risks	-	-	-	-	-	-

(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 are not subject to credit risk.

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

16.2 Liquidity risk

As of 30 June 2020, the profile of financial liabilities according to their remaining maturities is as follows:

Contractual maturities	Carrying value	Total contractual cash outflows	Less than 3 months	3 to 12 months	1 to 5 years
Non-derivative financial liabilities	232,222,594	232,222,594	232,222,594	-	-
Trade payables	232,222,594	232,222,594	232,222,594	-	-

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

Contractual maturities	Carrying value	Total contractual cash outflows	Less than 3 months	3 to 12 months	1 to 5 years
Non-derivative financial liabilities	124,137,054	124,137,054	124,137,054	-	-
Trade payables	124,137,054	124,137,054	124,137,054	-	-

As at 30 June 2020 and 31 December 2019, the liquidity requirement of the Company in accordance with Communiqué 34 is as follows:

	30 June 2020	31 December 2019
Current assets (A)	484,193,679	360,779,939
Short-term payables (B)	262,089,775	145,654,090
Current assets/Short-term payables (A/B)	1.85	2.48

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

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

16.3 Market risk

Foreign currency risk

The assets denominated in foreign currency of the Company expose to foreign currency risk, due to changes between currency rate at transaction date and at end of the reporting date, while translating the assets denominated in foreign currency. As of 30 June 2020 and 31 December 2019, the Company's foreign currency position is as follows:

	30 June 2020			
	TL equivalent (Functional currency)	US Dollar	Euro	Other
1. Trade receivables	-	-	-	-
2a. Monetary financial assets (Including cash, bank deposit accounts)	11,293,047	1,648,822	1,489	-
2b. Non-monetary financial assets	-	-	-	-
3. Other	-	-	-	-
4. Current assets (1+2+3)	11,293,047	1,648,822	1,489	-
5. Trade receivables	16,401,333	2,247,059	131,980	1,089
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	16,401,333	2,247,059	131,980	1,089
9. Total assets (4+8)	27,694,380	3,895,881	133,469	1,089
10. Trade payables	15,475,609	2,113,440	130,491	1,089
11. Financial liabilities	-	-	-	-
12a. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	15,475,609	2,113,440	130,491	1,089
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	15,475,609	2,113,440	130,491	1,089
19. Net asset/(liability) position of off balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Amount of active foreign derivative currency off-balance sheet	-	-	-	-
19b. Amount of passive foreign derivative currency off-balance	-	-	-	-
20. Net foreign currency assets/(liabilities) position (9-18+19)	12,218,771	1,782,441	2,978	-
21. Monetary items net foreign currency asset/(liability) position (tfrs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)	12,218,771	1,782,441	2,978	-
22. Fair value of financial instruments used for currency hedge	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-

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

16.3 Market risk (*cont'd*)

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. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	9,842,549	1,648,809	334	6,630
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	9,842,549	1,648,809	334	6,630
19. Net asset/(liability) position of off balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Amount of active foreign derivative currency off- balance sheet	-	-	-	-
19b. Amount of passive foreign derivative currency off- balance	-	-	-	-
20. Net foreign currency assets/(liabilities) position (9-18+19)	3,763,517	638,363	2,579	(6,568)
21. Monetary items net foreign currency asset/(liability) position (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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16 Nature and level of risks related to financial instruments (*cont'd*)

16.3 Market risk (*cont'd*)

Sensitivity to foreign currency

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

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

30 June 2020		
	Foreign currency appreciation	Foreign currency depreciation
<u>Change in US Dollar by 20% against TL</u>		
1- US Dollar net asset/liability	2,439,164	(2,439,164)
2- Hedged risk (US Dollar) (-)	-	-
3- US Dollar net effect (1+2)	2,439,164	(2,439,164)
<u>Change in Euro by 20% against TL</u>		
4- Euro net asset / liability	4,590	(4,590)
5- Hedged risk (Euro) (-)	-	-
6- Euro net effect (4+5)	4,590	(4,590)
<u>Change in other currencies by 20% against TL</u>		
7- Other net asset / liability	--	--
8- Hedged risk (Other) (-)	-	-
9- Other net effect (7+8)	--	--
Total (3+6+9)	2,443,754	(2,443,754)
31 December 2019		
	Foreign currency appreciation	Foreign currency depreciation
<u>Change in US Dollar by 20% against TL</u>		
1- US Dollar net asset/liability	758,401	(758,401)
2- Hedged risk (US Dollar) (-)	-	-
3- US Dollar net effect (1+2)	758,401	(758,401)
<u>Change in Euro by 20% 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>Change in other currencies by 20% 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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16 Nature and level of risks related to financial instruments (*cont'd*)

16.3 Market risk (*cont'd*)

Price risk

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

As at 30 June 2020 and 31 December 2019, in case of having a 20% decrease/increase in Borsa İstanbul stock market index while having all other variables constant, the effects on profit or loss and comprehensive income would be as follows:

30 June 2020	Profit / (loss)		Equity ^(*)	
	Increase by 20%	Decrease by 20%	Increase by 20%	Decrease by 20%
<i>Financial assets at fair value through profit or loss</i>				
- Stocks	-	-	159,686	(159,686)
Total	-	-	159,686	(159,686)

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

31 December 2019	Profit / (loss)		Equity ^(*)	
	Increase by 20%	Decrease by 20%	Increase by 20%	Decrease by 20%
<i>Financial assets at fair value through profit or loss</i>				
- 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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16 Nature and level of risks related to financial instruments (*cont'd*)

16.3 Market risk (*cont'd*)

Interest rate risk

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

		30 June 2020	31 December 2019
Financial instruments with fixed interest			
	Financial assets at fair value through profit or loss	4,685,723	332,450
Financial assets	Time deposits at banks	156,924,329	97,152,042
	Receivables from reverse repurchase agreements	229,714	10,190,027
Trade receivables	Receivables from loan customers	65,167,163	57,978,799
Financial instruments with floating interest			
Financial assets	Financial assets at fair value through profit or loss	3,633,176	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. As of 30 June 2020, according to the Company's analysis, in case of 1% interest rate increase or decrease in TL interest rates, on the assumption that all other variables remain constant, the effect of debt securities on the fair value, net profit/(loss) before tax and shareholders' equity is presented in the table below. Sensitivity analysis was applied for 2019 on the same basis.

	Profit / (loss)		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 June 2020				
Financial investments	(6,747,282)	6,968,745	(6,747,282)	6,968,745
30 June 2019				
Financial investments	(2,729,714)	4,389,395	(2,729,714)	4,389,395

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

16.4 Capital management

As of 30 June 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 228,701,226 as of 30 June 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 30 June 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 at 30 June 2020 and 31 December 2019, the risk provision amounts calculated in accordance with the “Communiqué: V, No: 34” are as follows:

	30 June 2020	31 December 2019
Position risk	16,684,818	15,323,435
Counter party risk	37,600,106	18,559,812
Exchange rate risk	426,011	-
Total risk provision	54,710,935	33,883,247

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Financial instruments

Fair value disclosures

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

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

Classification of fair value measurement

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

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

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

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

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

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

30 June 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short-term)	7,067,443	1,251,456	-	8,318,899
Financial investments (long-term) (*)	798,430	4,456,054	-	5,254,484

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

(*) Equity 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	4,456,054	-	4,883,284

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

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

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17 Financial instruments (cont'd)

Fair value disclosures (cont'd)

Classification of fair value measurement (cont'd)

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

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

As of 30 June 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.

18 Other matters

An indictment was filed against the Parent Bank on 15 October 2019 by the New York Southern District Attorney General of the United States Department of Justice, which repeated the allegations made in the case against the former executive of the Parent Bank for violation of Iranian sanctions.

Initially, the Parent Bank applied to the District Court on 4 November 2019, requesting a special appearance to discuss the issues of objection and denial of judicial jurisdiction, and rejection of the judge the case. The District Court dismissed the request of the special appearance on 5 December 2019. The Parent Bank appealed the District Court's decision to the Second Circuit of Appeals on 17 December 2019. The Second Circuit Court of Appeals dismissed the Parent Bank's objection on 21 February 2020.

In the meeting held by the Parent Bank's Board of Directors on 27 March 2020; it was decided to attend the hearing on 31 March 2020 in the District Court where the case will be discussed, to accept the notification of the case and to appoint William & Connolly law firm with a proxy to represent the Parent Bank in the process.

At the hearing on 31 March 2020 held in the District Court; it has been 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 timetable regarding the objection to recusal motion, the requests for evidence and the submission of other requests has been determined, and it was decided that the jury hearing would be held on 1 March 2021. Accordingly, The Parent Bank filed its motions to the District Court regarding the recusal of the judge 14 July 2020, and regarding other requests attacking the face of the indictment on 10 August 2020.

In addition, a civil lawsuit was filed against the Parent Bank on 27 March 2020 with a claim for compensation by some plaintiffs in the U.S. New York Southern District Court "on the grounds that they 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.

The prosecution process of both criminal lawsuit and the civil lawsuit is closely monitored by the Parent Bank through specialized US law firms.

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

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18 Other matters (*cont'd*)

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.

In terms of considering the macroeconomic factors, the Company closely monitors the macroeconomic data due to the fact that the pandemic effects are still experienced and it is impossible to completely and accurately measure the negative effects that may arise.

Related Departments and the Company Management regularly monitors the possible effects of the pandemic on the Company's financial statements.

19 Events after the reporting period

None.