

CHECKING THE TECHNOLOGY DIFFERENCE IN THE INVESTMENT • LEAGUE •



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It is important to make the right decisions.

We are committed to ensuring that our customers invest in the financial instruments that work best for them, and we guide them in making the right decisions in line with their goals.

We effectively leverage technology for our investors and we add value to both their savings and to the economy by following market positions in real time.

A NEW APPLICATION IN THE INVESTMENT PITCH



We created a mobile stock market application featuring real-time gamification to raise financial literacy and educate future generations. With the Stock Market League mobile competition, every segment of society can enjoy learning about the market while winning prizes with real value.



BORSA LİGİ

PLAY | LEARN | ENJOY | WIN

SMART RECOMMENDATION SYSTEM FOR THE RIGHT DECISION



The Smart Recommendation System is an investor-friendly and easily accessible platform that offers financial market information and analyses to our clients. We provide consultancy services regarding investment decisions through the Smart Recommendation System and, as well, aim to develop knowledge of the financial market among current investors and help them to enrich their investment decisions. In addition, we aim to increase the number of investors in the capital markets.

AOS Halk Yatırım
Akıllı Öneri Sistemi



STAYING ABREAST OF GLOBAL INVESTMENT POSITIONS



We developed Halk Intrader to enable individual and corporate investors to easily access global stock markets from a single platform. Allowing intermediary-free and quick access to American and European stocks, Halk Intrader also offers investors a wide range of quasi-stock instruments such as ADRs and ETFs.



 **HALKINTRADER**

AN ASSISTANT SERVICE THAT STREAMLINES DECISION PROCESSES

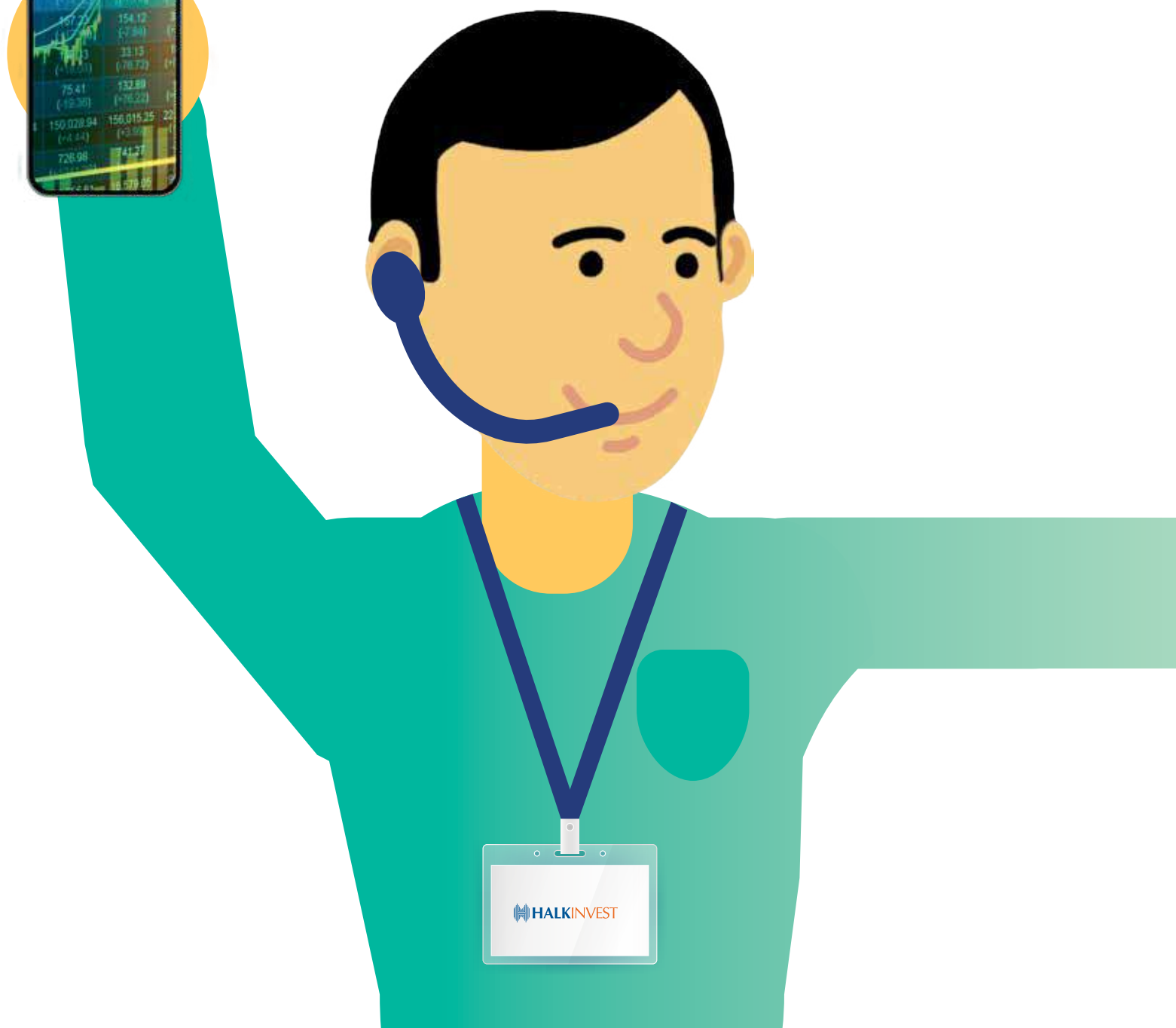


Our Smart Charts report offers short-term analyses and recommendations by closely following market dynamics, market trends and foreign positions.

SMART CHARTS



STOCK MARKET TRANSACTIONS IN YOUR POCKET



Halk Trader Mobile enables clients to perform stock transactions with real-time data, and to track stock and VIOP data wherever there is an internet connection.

B **Ö** **R** **S** **A**
| HALK YATIRIM |



HALK INVEST IN BRIEF

By utilizing Halkbank's wide distribution network, Halk Invest is able to reach a broad customer base, delivering an easy and high quality investment experience to its customers across the country.

BASIC INFORMATION

Establishment Date

1997

Initial Operation Date

1998

Number of Employees

134

Average Age of Employees

38

Employees Education Level

98% HIGHER EDUCATION

Female Employees/
Total Employees

43%



Halk Invest was founded on September 2, 1997 under the relevant provisions of the Capital Markets Law to perform investment services and activities, and sub services.

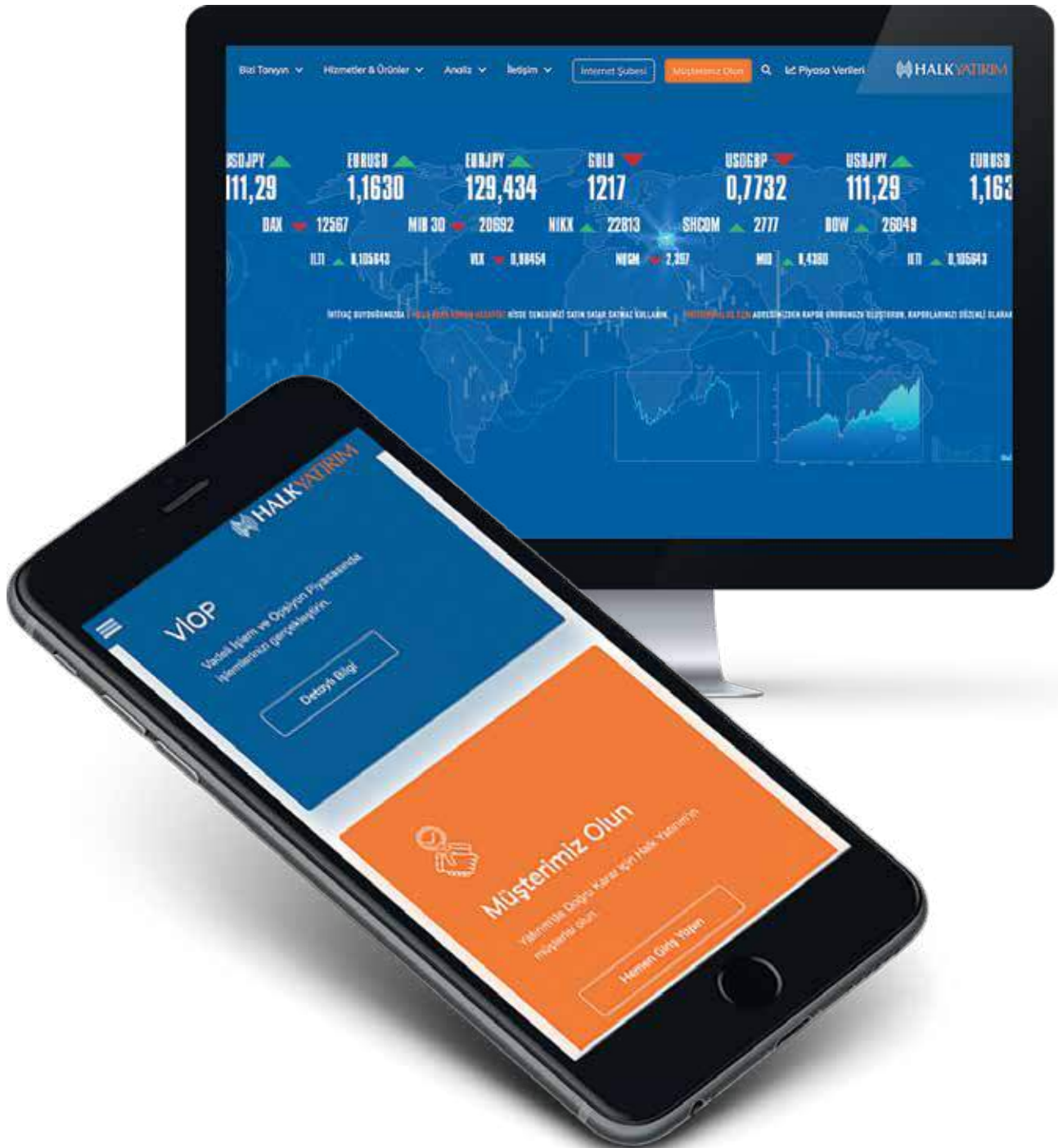
Türkiye Halk Bankası ("Halkbank") holds 99.96% stake of Halk Invest, which conducts brokerage operations via its seven branches, alternative distribution channels and about 1,000 Halkbank branches, under an order transfer contract signed with the Bank.

Halk Invest's mission is to contribute to the distribution of capital to the societal base by offering capital markets services swiftly, safely and at high-quality. By utilizing Halkbank's wide distribution network, Halk Invest is able to reach a broad customer base, delivering an easy and high quality investment experience to its customers across the country.

The Company's license was approved by a Capital Markets Board decision dated October 15, 2015. As an intermediary with a broad authority, Halk Invest provides the following services and solutions:

- ✓ Trading Brokerage,
- ✓ Portfolio Management,
- ✓ Individual Portfolio Management,
- ✓ Public Listing Intermediary through Underwriting,
- ✓ Investment Advisory,
- ✓ Limited Custody Service.

Halk Invest was the leader or co-leader of domestic consortiums involved in three of the five largest public offerings undertaken in Turkey's capital markets. The Company is especially well-positioned in corporate finance including public offerings, debt instruments, sukuk issues, and company M&A services. Halk Invest ranks among the top brokerage firms in terms of key indicators such as equity capital, transaction volume, and asset size.



INITIATIVES OF HALK INVEST

With the 100th issue transaction carried out in 2019, Halk Invest continued to lead the industry and serve our country.



2011 - CORPORATE FINANCE – FIRST DEBT ISSUE

Halk Invest's first restructured transaction and Halkbank's first domestic debt instrument issue



2014 - FIRST SUKUK ISSUE

The first sukuk issue for Kuveyt Türk Participation Bank



2012 - CORPORATE FINANCE – FIRST M&A

Kuwait-based NBK Capital Fund participated in the M&A transaction for Bavet, a distributor of animal pharmaceuticals.



2016 - FIRST BOND ISSUE

Halk Invest's first debt instrument issue



2013 - FOREX TRADING ACTIVITIES

Halk Invest began Forex trading activities in 2013.



2017 - TURKEY'S FIRST AGRICULTURAL COMMODITIES SUKUK ISSUE

The Company undertook Turkey's first agricultural commodities sukuk issue in a transaction whereby the Turkish Grain Board (TMO) obtained funds and Halk Invest served as restructuring and sales advisor. In addition, Halk Invest was the country's first intermediary for an issue transaction by a public institution other than the Treasury.



2017 - TURKEY'S FIRST REIT SUKUK ISSUE

Halk REIT executed Turkey's first real estate investment trust sukuk issue on December 18, 2017 with Halk Invest acting as the broker.



2017 - SECONDARY CAPITAL ISSUE

Halkbank's secondary capital bond issue transaction, in which Halk Invest served as restructuring and sales advisor, was recognized as the Local Bond Deal of the Year at the Bonds & Loans Turkey 2018 Awards competition.



2018 - ASSET-BACKED SECURITY ISSUE

The Development and Investment Bank of Turkey undertook the largest asset-backed security (ABS) issuance in Turkey through its Asset Finance Fund in return for the mortgage backed securities of the leading banks in the country. Demand from a total of 118 investors was 2.43 times the issue size. Halk Invest contributed to the ABS issue which had a nominal value of TL 3.15 billion.



2019 - 100TH ISSUE TRANSACTION

Having brokered Turkey's first Real Estate Investment Trust and Agricultural Commodities Sukuk (Lease Certificate) Issues, Halk Invest successfully completed its 100th issue transaction with Halkbank's Commercial Paper Issue, on December 2, 2019.



2019 - TLREF PRODUCTS OFFERING DYNAMIC RETURNS AND SIMULTANEOUS DIFFERENT BASES

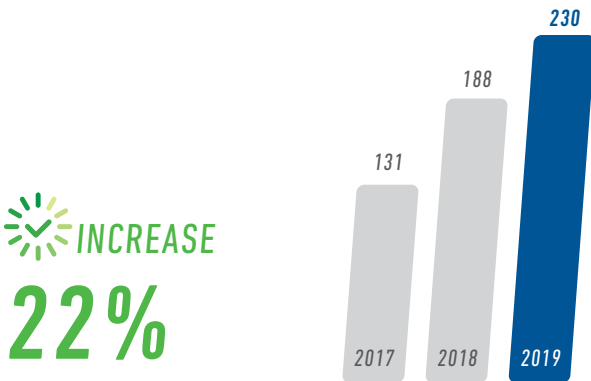
Halk Invest issued 12 different debt instruments indexed to the Turkish Lira Overnight Reference Interest Rate (TLREF). The TLREF was created by Borsa Istanbul in accordance with international standards and based on the BIST TLREF Index return. Additionally, Halk Invest simultaneously introduced to the market the TLREF and Inflation (CPI) Indexed Couponed Halkbank Bond – a first in Turkey – and the TLREF Indexed and Dynamic Additional Return product, also a first in our country.

For the first time in Turkey, the return rate of the BIST TLREF Index was used in place of the TLREF rate in determining the interest returns of securities; Halk Invest issued a couponed bond based on this rate. The replacement of the TLREF rate by return rate of the BIST TLREF Index is primarily due to the fact that investors are offered a comparable pricing base among issuer organizations and that it is possible to reflect the return of the reference, in which the returns of the issued securities are indexed, completely to the issued asset.

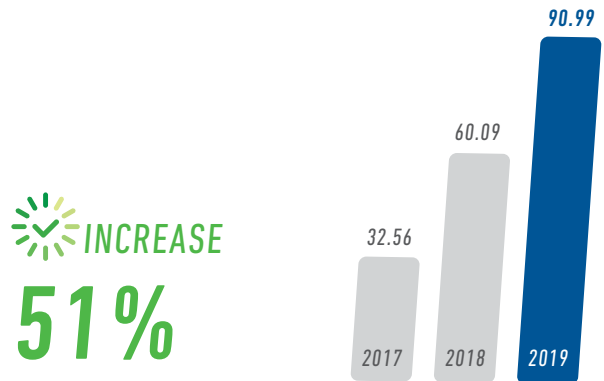
MAJOR INDICATORS

Halk Invest increased its service revenues by 3% in 2019 compared to the previous year to TL 107 million.

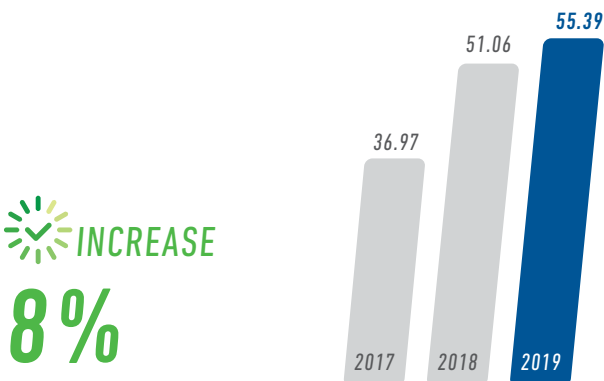
SHAREHOLDERS' EQUITY (TL MILLION)



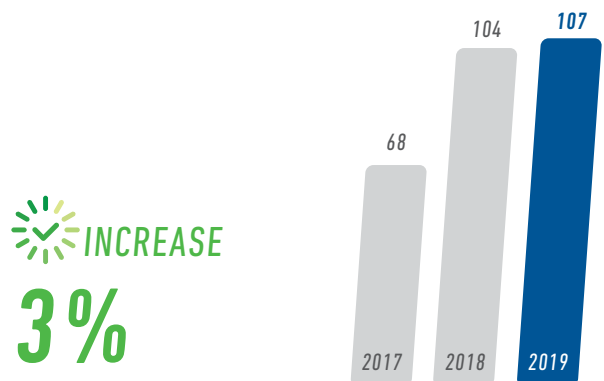
NET INCOME (TL MILLION)



STOCK AND DERIVATIVE INSTRUMENTS (VIOP)
COMMISSION REVENUE (TL MILLION)



TOTAL SERVICE REVENUE (TL MILLION)



BALANCE SHEET ITEMS (TL)

Assets	31.12.2019	31.12.2018
Cash and Cash Equivalents	147,414,391	108,310,347
Trade Receivables	137,280,436	103,332,593
Total Assets	378,879,790	313,501,129

Liabilities and Shareholders' Equity	31.12.2019	31.12.2018
Borrowings	-	52,355,826
Trade Payables	124,137,054	60,603,259
Shareholder's Equity	230,176,512	187,574,732
Net Income	90,984,244	60,087,870
Total Liabilities and Shareholders' Equity	378,879,790	313,501,129

INCOME STATEMENT ITEMS (TL)

	31.12.2019	31.12.2018
Pre-Tax Profit/(Loss)	109,746,762	76,281,025
Tax	18,762,518	16,193,155
Net Income/(Loss)	90,984,244	60,087,870

FINANCIAL RATIOS

Liquidity Ratios	31.12.2019	31.12.2018
Current Ratio (Current Assets/Current Liabilities)	249%	239%
Cash Ratio (Liquid Assets/Current Liabilities)	101%	88%

Financial Structure Ratios	31.12.2019	31.12.2018
(Current Liabilities+Long-Term Liabilities)/Assets	39%	40%
Average Shareholders' Equity/Assets	55%	51%

Rate of Return	31.12.2019	31.12.2018
Net Income/Assets	24%	19%
Net Income/Average Shareholder's Equity	44%	38%

Shareholder's Equity (TL Million)	31.12.2019	31.12.2018
	230	188

HALKBANK IN BRIEF

Rendering an unparalleled banking experience to its customers with 1,000 domestic branch locations, 6 overseas branches, 1 country management, 3 overseas representative offices, 4,051 ATMs, telephone and internet banking channels, and mobile banking applications as of the end of 2019, Halkbank serves with innovative products and services as part of its global vision.

SME LOANS MARKET SHARE

18.5%

As of the end of 2019,
Halkbank's market share
in SME loans is 18.5%.

A steadily-growing, deep-rooted, pioneering and respected brand of rising Turkey, Halkbank was founded in 1938 to support craftsmen and tradesmen and to accelerate Turkey's lasting economic development. The Bank has been spearheading the Turkish banking industry's development while successfully executing its mission of supporting the real economy for 81 years.

Rendering an unparalleled banking experience to its customers with 1,000 domestic branch locations, 6 overseas branches, 1 country management, 3 overseas representative offices, 4,051 ATMs, telephone and internet banking

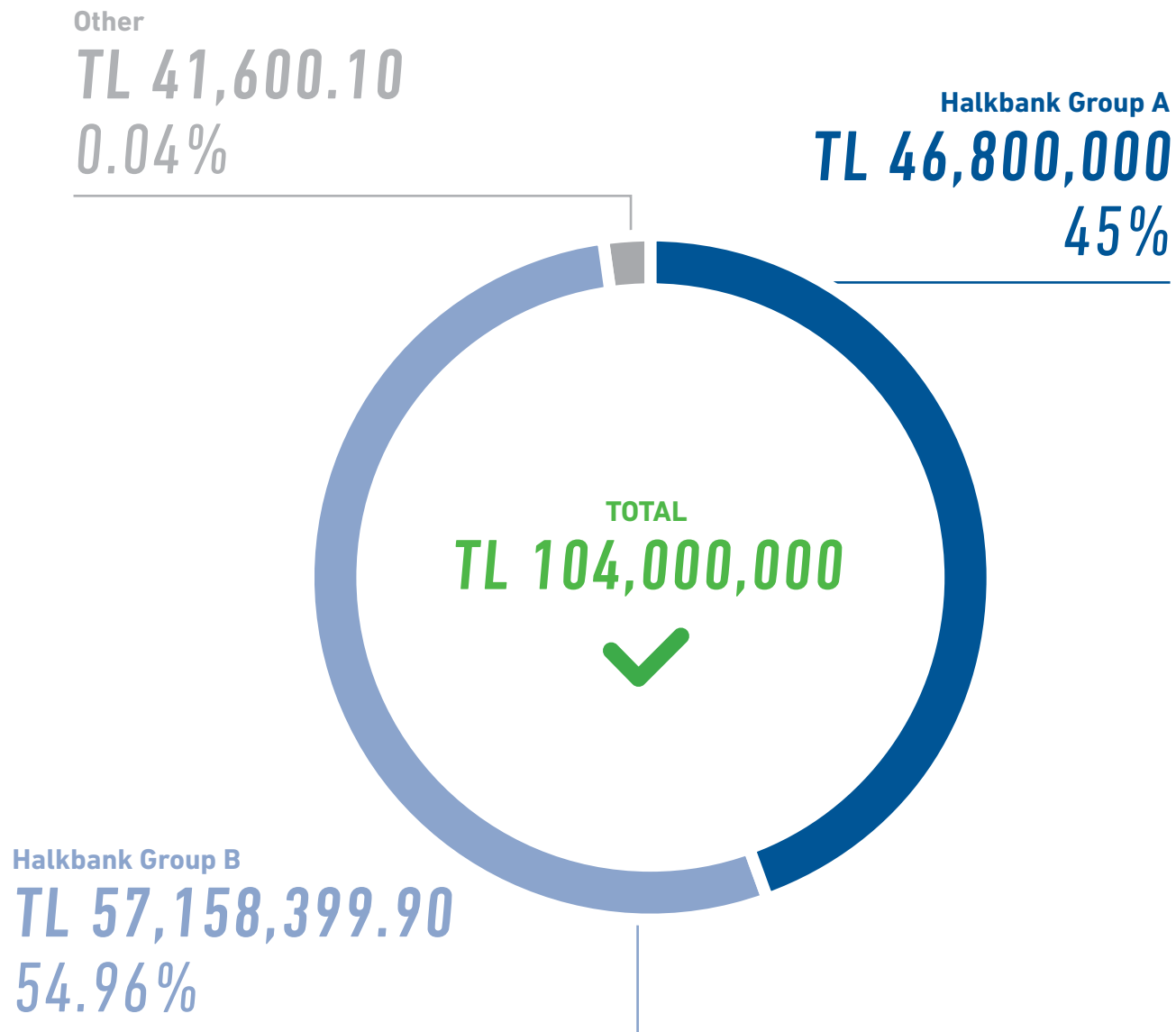
channels, and mobile banking applications as of the end of 2019, Halkbank serves with innovative products and services as part of its global vision.

Halkbank, the bank of producing Turkey, sees every producing and job-creating tradesman, farmer, and small, medium and large business owner as a business partner and considers supporting them in good and bad days alike with all of its financing facilities as its *raison d'être*. Increasing its SME lending market share to 18.5% and allocating 39.5% of its total cash loans to SMEs, Halkbank continues to be the biggest supporter of the Turkish economy.



CAPITAL AND SHAREHOLDING STRUCTURE

Halk Invest has a paid-in capital of TL 104 million as of the end of 2019.



MILESTONES

Halk Invest made 110 Debt Instrument and Sukuk issues within 2019.

2011

- ✓ Halk Portföy establishment of 25% partnership

2012

- ✓ Halkbank second public offering USD 2.5 billion
- ✓ First merger & acquisition (M&A) advisory transaction

2013

- ✓ First Outlook Report and investor conference
- ✓ Halk REIT's IPO
- ✓ Emlak Konut REIT's second public offering USD 1.6 billion
- ✓ Sponsorship of Aizanoi, home of the world's first known stock market
- ✓ Forex trading activities

2014

- ✓ First sukuk issue brokerage and leadership with 40% market share
- ✓ Corporate identity creation

2015

- ✓ Leadership in Sukuk issues with 68% market share
- ✓ Diyarbakır Yıllarca Halkbank Şehit Haşim Türkoğlu Primary School
- ✓ Halk Invest Memorial Forest
- ✓ Turkey's Best Brokerage Firm Award in Global Banking & Finance Review Sukuk Issues

2016

- ✓ JCR Rating AA (Trk)
- ✓ First Halk Invest bond issue
- ✓ Turkey's Best Brokerage Firm Award in Sukuk Issues and Corporate Social Responsibility by Global Banking & Finance Review
- ✓ TCMA – Aizanoi Best Corporate Social Responsibility Project Award

2017

- ✓ JCR Rating AA+ (Trk)
- ✓ First agricultural commodities sukuk issue
- ✓ First REIT Sukuk issue
- ✓ Halkbank secondary capital bond issue
- ✓ Main sponsorship of Aizanoi, home of the world's first known stock market

2018

- ✓ JCR Rating AAA (Trk)
- ✓ Support for the largest asset-backed security (ABS) issuance in Turkey
- ✓ 103 Debt Instruments and Sukuk Issues during the year
- ✓ Introduction of individual portfolio management services
- ✓ Efforts related to Halk Intrader, the international trading platform
- ✓ TCMA - Most Creative Capital Market Project Award
- ✓ + IFN "Turkey's Best Islamic Finance Transaction Award"

2019

- ✓ 110 Debt Instruments and Sukuk Issues during the Year
- ✓ TLREF Issues
- ✓ Bonds & Loans-Local Currency Bond/Sukuk Deal of the Year
- ✓ Bonds & Loans-Islamic Finance Deal of the Year
- ✓ Bonds & Loans-Real Estate Finance Deal of the Year
- ✓ Bonds & Loans-Structured Bond Deal of the Year
- ✓ TCMA-Private Sector Debt Instrument Issue and Sales Leader Award

DEVELOPMENTS IN 2019

In the TCMA 2019 Capital Markets Award Ceremony, organized for the fourth time by the Turkish Capital Markets Association, Halk Invest received the “Private Sector Debt Instrument Issue and Sales Leader Award” with its conventional and Islamic financing products it has developed in 2018.

11.41%

MARKET SHARE

With all issuances it has made amounting to TL 23,549 million, Halk Invest reached a market share of 11.41% in 31.12.2019 and became the leader in the market.



TL 23.6 BILLION ISSUE

Halk Invest intermediated 110 Debt Instrument and Sukuk issues in 2019. With TL 23,549 million issue size, Halk Invest completed 2019 as the market leader with a market share of 11.41%.

Halk Invest provides rational solutions and funding sources to both the financial sector and the real sector by issuing commercial papers, Sukuk, asset-backed securities, and debt instruments that will be included in secondary capital. In 2019, the Company offered its brokerage services to Halkbank, Halk Leasing, Halk Invest, Halk REIT, Halk Faktoring, Turkish Grain Board, Eximbank, Turkcell Superonline, Emlak Konut REIT and Kayseri Şeker.

TCMA PRIVATE SECTOR DEBT INSTRUMENT ISSUE AND SALES LEADER AWARD

At the TCMA 2019 Capital Markets Award Ceremony, organized for the fourth time by the Turkish Capital Markets Association, Halk Invest received the Private Sector Debt Instrument Issue and Sales Leader Award, in recognition of the conventional and Islamic financing products developed by the Company in 2018.

4 BONDS & LOANS AWARDS

The Sukuk al Wakalah Bil Istithmar transaction, completed in July 2018 with a size of TL 100 million, in which Halk Invest was the restructuring and sales advisor, Halk Varlık Kiralama A.Ş. (“Halk VKŞ”) participated as the issuer company, and the Turkish Grain Board (TMO) participated as the fund user/source institution, received first place in the ‘Local Currency Bond/Sukuk Deal of the Year’ and ‘Islamic Finance Deal of the Year’ categories at the 2019 Bond & Loans Awards. In addition, the lease certificate deal based on a management contract (“Sukuk-Al-Wakalah”) with a size of TL 100 million, in which Halk VKŞ was the issuer, Halk REIT participated as the fund user/source institution, and Halk Invest participated as the restructuring, brokerage and sales consultant, received first place in the “Real Estate Finance Deal of the Year” and second place in the “Structured Bond Deal of the Year” categories.

RATINGS RECEIVED FROM CREDIT RATING AGENCIES

Credit rating agency JCR-Eurasia Rating certified Halk Invest's Long-Term National Local Rating as AAA (Trk), as a result of its assessment. JCR Eurasia Rating assessed Halk Yatırım Menkul Değerler A.Ş. as high-level investment grade and assigned the Company a rating of 'AAA (Trk)' on the Long-Term National Scale with a "Stable" outlook. Additionally, the Long-Term International Foreign and Local Currency Ratings were affirmed as "BBB -" with a "Negative" outlook.

Long-Term International Foreign Currency	BBB-/(Negative outlook)
Long-Term International Local Currency	BBB-/(Negative outlook)
Long-Term National Local Rating	AAA (Trk)/(Stable Outlook)
Long-Term Issue Rating	AAA (Trk)
Short-Term International Foreign Currency	A-3/(Negative outlook)
Short-Term International Local Currency	A-3/(Negative outlook)
Short-Term National Local Rating	A-1+(Trk)/(Stable outlook)
Short-Term Issue Rating	A-1+(Trk)
Sponsor Support	1
Stand-alone	A

CHAIRMAN'S MESSAGE

As one of the leading institutions in the capital markets, Halk Invest maintains its growth through visionary, effective strategies and the wide distribution channel of Halkbank.



INCREASE IN RETURN ON EQUITY 44%

The Company increased its net profit in 2019 by 51% and its return on equity rose from 38% to 44%.



Esteemed Stakeholders,

In 2019, economies struggled with the slowdown in global growth, as well as the delayed effects of trade wars and the normalization of expansionary monetary policies in the previous period, to the extent permitted by their own characteristics. In this regard, following the Fed's movement to expansionary monetary policies, the central banks of other developed and emerging economies have also taken steps to support growth. Again, the support of financial policies has occurred to the extent permitted by the public balance.

REBALANCING HAS STARTED

In the second half of the previous year, the Turkish economy entered a technical recession, shrinking for two consecutive terms; however, the recession receded and the economy has grown on a quarterly basis since the first quarter of 2019. A holistic rebalancing process was initiated in the economy to address overarching issues, rather than merely applying temporary measures. The successful rebalancing of the economy precipitated a return to the disinflation process: internal demand has again become effective in growth composition; the current account balance is in a "surplus" position; and the budget deficit remained at a reasonable level, comparatively, despite the growth-supporting approach. Especially in the second half of the year, these positive developments were accompanied by the anticipated relaxation in monetary policy, supported by monetary policy authorities against weaknesses in the global economy, as well as a more supportive and confident environment manifested in critical economic balances and inflation.

Concluding 2018 at 91,270, the BIST 100 Index distinguished itself among its global equivalents by reaching its highest level in 2019 – 115,312 – due to the domestic acceleration process, which is reactivated in the economy, accompanied by a decrease in inflation, as well as the

tendency of interest rate cuts, exchange rate and economic indicators to become stabilized; and the supportive steps of the developed countries' central banks in global basis.

In 2020, with the support of the policy measures determined by the New Economy Program and the Medium Term Program, I believe that rebalancing has had a powerful impact and that we will see a recovery process initiated in our country's credit rating, due to an environment of confidence that points to the achievement of sustainable and reliable development.

51% INCREASE IN NET PROFIT

As one of the leading institutions in the capital markets, Halk Invest maintains its growth trend through visionary and effective strategies, as well as the wide distribution channel of Halkbank. Continuing its success by maintaining its strong position in the sector, our Company increased its net profit in 2019 by 51% and its return on equity rose from 38% to 44%. Halk Invest will continue to expand its market share: Our aim is to maintain our support to the national economy, continuing to make a difference in the sector via our innovative products and services, while pursuing the target of profitability growth.

WE CONTINUE TO "LEAD"...

In addition to conventional products, Halk Invest offered different alternatives and high returns to investors with the TLREF and Inflation (CPI) Indexed Coupon Halkbank Bond product – a first in Turkey – and the TLREF Indexed product – also a first in our country – as well as its Five-Year Term product, Quarterly Coupon Payment product and its Dynamic Additional Return product.

In 2019, the Company performed seven sukuk issues amounting to a total of TL 900 million, based on a management contract for Halk Gayrimenkul Yatırım Ortaklığı A.Ş., which realized the first sukuk transaction in the real estate investment trust sector and in which Halk Varlık Kiralama A.Ş. participated as the issuer. Furthermore, the TL 250 million issuance in which Emlak Konut REIT, Turkey's largest real estate investment trust, was a fund user, stood out as the sukuk issue that has provided the most funds to the real sector to date.

In 2019, Emlak Konut REIT, Turkey's largest real estate investment trust, realized 14 sukuk issues, in which Halk VKŞ was the issuer and Halk Invest participated as the intermediary, amounting to a total of TL 2.4 billion based on management contract. The issue dated February 26, 2019, amounting to TL 250 million in which the Company was the fund user, was the largest volume sukuk issue in which the real sector is a fund user.

OUR ACHIEVEMENTS REAP AWARDS.

We are pleased that our achievements are crowned with awards. Sukuk issues in which our Company was the consultant and intermediary, Halk VKŞ participated as the issuer company, and the Turkish Grain Office and Halk REIT participated as the fund user/source institution, was awarded in four different categories at the

2019 Bonds & Loans Turkey Awards. The Sukuk al Wakalah Bil Istithmar transaction completed by our Company in July 2018, with a size of TL 100 million, and in which Halk Varlık Kiralama A.Ş. ("Halk VKŞ") participated as the issuer company and the Turkish Grain Board (TMO) participated as the fund user/source institution, was awarded first place in the "Local Currency Bond/Sukuk Deal of the Year" and "Islamic Finance Deal of the Year" categories. In addition, the sukuk certificate deal based on management contract ("Sukuk-AL-Wakalah") with a size of TL 100 million, and in which Halk VKŞ was the issuer, Halk REIT participated as the fund user/source institution and Halk Invest participated as the restructuring, intermediation and sales consultant, received first place in the "Real Estate Finance Deal of the Year" and second place in the "Structured Bond Deal of the Year" categories. In addition, our Company was recognized with the Private Sector Debt Instrument Issue and Sales Leader Award-2018 award at the 4th TCMA Capital Markets Awards for the debt instrument and sukuk transactions carried out in 2018.

Halk Invest will continue to increase its added value as the leading institution in capital markets. I am certain that we will continue to take successful steps towards our goals in 2020, and that we can complete the year with the desired results. I would like to extend my gratitude to our main shareholder Halkbank, to our employees, our esteemed customers and all our business partners on behalf of our Board of Directors and myself.

Sincerely,

SERDAR SÜRER

Chairman



BOARD OF DIRECTORS

SERDAR SÜRER

CHAIRMAN

Serdar Sürer was born in Istanbul in 1972. He graduated from Anadolu University, Faculty of Economics, Department of Economics. In 2002, he joined Türkiye Halk Bankası A.Ş., where he served as Department Manager, Treasury Management Department Head, and Director of the Money and Capital Markets Department. Mr. Sürer was appointed as General Manager of Halk Yatırım Menkul Değerler A.Ş. in 2017 and has served as Halkbank's Deputy General Manager of Treasury Management and International Banking since July 8, 2019.

KAMİL ENİS TUNA

VICE CHAIRMAN

Kamil Enis Tuna was born in 1966 in Beyoğlu, Istanbul. After completing his primary and secondary school education in Istanbul, he graduated from Kabataş High School. Mr. Tuna earned his bachelor's degree from Anadolu University, Department of Economics, and his MBA from Newport University. He began his professional career as a Specialist at Türkiye Turizm ve Yatırım Bankası in 1991. Subsequently, Mr. Tuna took on senior management positions within the Private Banking Departments at Esbank, Demirbank, Alternatifbank, and DenizBank, respectively. In his last position before joining Halkbank, he worked as Deputy General Manager in charge of Private Banking at Aktifbank; he also served as Member of the Board of Directors at the same institution. In December 2015, Mr. Tuna was appointed as Head of the Card Payment Systems Department at Türkiye Halk Bankası A.Ş. While continuing to work as Head of the Card Payment Systems Department at Halkbank, he also serves as Market Development Member at Interbank Card Center. Since July 2017, Mr. Tuna has been a Member of the Board of Directors at Halk Invest.

BÜLENT SEZGİN

BOARD MEMBER AND ACTING CEO

Bülent Sezgin was born in Bandırma in 1975. He graduated in 1997 from Middle East Technical University, Department of Political Science and Public Administration, and began his professional career in capital markets that same year. He went on to work at various positions in the sector. In 2011, Mr. Sezgin was appointed Manager of the Corporate Finance Department at Halk Invest. He has served as Deputy General Manager of Corporate Finance and Treasury since 2012. Appointed as the Acting CEO of the Company as of July 1, 2019, Mr. Sezgin, also serves as a member of the Board of Directors.

AHMET ERDOĞAN

BOARD MEMBER

Ahmet Erdoğan was born in 1967 in Kırıkkale. He graduated from Hacettepe University, Faculty of Economics and Administrative Sciences, Department of Economics. He later obtained a graduate degree from Selçuk University, Institute of Social Sciences, Department of Publicity and Public Relations. Türkiye Halk Bankası A.Ş. Mr. Erdoğan started his professional career at Bahçelievler-Ankara Branch; subsequently, he worked as a Specialist at the Central Anatolia Regional Intelligence and Project Evaluation Directorate. Mr. Erdoğan began serving as Head of the Ankara Regional Intelligence and Project Evaluation Department in August 2003; Head of Project Evaluation and Financial Analysis Department of the General Directorate in June 2005; Head of Commercial Loans Department in December 2006; and Branch Manager at the Capital Commercial Branch-Ankara in February 2010. Since July 2011, he has worked as Head of the Department of Tradesmen Banking. In addition,

Mr. Erdoğan served as a Member of the Board of Directors at Halk Sigorta A.Ş. between April 2014 and April 2015, and as a Representative of the Turkish Undersecretariat of Treasury on the Credit Committee of Kredi Garanti Fonu A.Ş. between May 2015 and December 2016. Since December 2016, Mr. Erdoğan has been a Member of the Board of Directors at Halk Invest.

GÜVENÇ USTA

BOARD MEMBER

Güvenç Usta was born in 1973 in Gölcük. He graduated from Istanbul University, Department of Business Administration in 1998. The same year, he began his professional as Assistant Specialist at Pamukbank. Later, he worked at the Marketing Department of Halkbank's Corporate Branch in Güneşli (2005), and subsequently at the Silopi/Şırnak branch. From 2010 to 2011, he worked at the Marketing and Loan Departments of Gayrettepe Corporate Branch. In 2012, he served as a Unit Manager at the Corporate Marketing Department. Mr. Usta has been the Head of Cash Management Department since November 2017. He has been working as the Head of the Department of Corporate and Commercial Marketing-2 since June 2019. Since October 2018, Mr. Usta has been a Member of the Board of Directors at Halk Invest.

ALİ ŞÖNER**BOARD MEMBER**

Ali Şöner was born in 1968 in Istanbul. He completed his primary, middle and high school education in Istanbul. He then graduated from Boğaziçi University, Department of Political Science and International Relations. Between 1995 and 2004, Mr. Şöner worked as a Director at Pamukbank Securities Center. After the merger of Pamukbank and Halkbank in 2004, he worked at the Foreign Currency Desk at the Money and Capital Markets Department. From 2012 to 2017, he served as Manager of the Foreign Currency-Money Department, and in October 2017, he was appointed Head of the Asset and Liability Management and Economic Researches Department. Mr. Şöner was appointed as the Head of the Treasury Management Department in February 2019. He is married and has two children. He is fluent in English. Since February 2019, Mr. Şöner has been a Member of the Board of Directors at Halk Invest.

ENES ÇELEBİ**BOARD MEMBER**

Enes Çelebi was born in Ankara in 1983. He obtained his bachelor's degree from Gazi University, Faculty of Economics and Administrative Sciences, Department of Public Administration. He then received his MBA degree from Türk Hava Kurumu University, Department of Business Administration. He began his professional career as Revenue Assistant Specialist at Turkey's Revenue Administration in 2009. After working at the Istanbul and Bursa Tax Office Directorates, he took on the position of Head of the Human Resources Department at Turkey's Revenue Administration. Subsequently, Mr. Çelebi worked as Specialist for the Ministry of Finance's Press and Public Relations Office. Between November 2015 and July 2018, he served as Press Officer for the Deputy Prime Ministry. From July 2018 onwards, he has been serving as Press Advisor for the Ministry of Trade. Since July 2017, Mr. Çelebi has been a Member of the Board of Directors at Halk Invest.

MESSAGE FROM THE CEO

Our strong infrastructure allows us to enhance the quality of services we offer to our broad customer base and ensures smooth transactions around the clock and across Turkey.

NET INCOME

TL 91 MILLION

As of the end of 2019, our net profit reached TL 91 million with an increase of 51%.



Debt Instrument Issue and Sales Leader Award-2018 at the 4th TCMA Capital Markets Awards for debt instrument and sukuk transactions carried out in 2018.

In the same period, our Annual Report received three awards in 2018, including Gold in the 'Interior Design' and 'Financial Data' categories, and Silver in the 'Cover Photo/Design' category, following four other awards at the ARC Awards.

WE CONTINUE ACHIEVING FIRSTS.

In 2019, we offered TLREF products with distinctive product structures. We issued 12 different debt instruments indexed to the Turkish Lira Overnight Reference Interest Rate (TLREF), created by Borsa Istanbul in accordance with international standards and based on the BIST TLREF Index return. We also introduced the TLREF and Inflation (CPI) Indexed Couponed Halkbank Bond and the TLREF Indexed and Dynamic Additional Return product – both of which are firsts in Turkey – to the market, simultaneously.

For the first time in Turkey, the return rate of the BIST TLREF Index was used in place of the TLREF rate in determining the interest returns of securities; Halk Invest issued a couponed bond based on this rate. The replacement of the TLREF rate by return rate of the BIST TLREF Index is primarily due to the fact that investors are offered a comparable pricing base among issuer organizations and that it is possible

In line with the New Economy Program targets for Balance, Acceleration, Sustainability and Discipline, we maintained our strong financial performance this year with high value-added products and services in the capital markets. Additionally, as one of the leading institutions in the sector, we further consolidated the expansion of our market share in corporate finance activities.

In 2019, we continued to achieve new successes. Sukuk transactions – in which Halk Invest served as the restructuring and sales advisor – received first place in the categories of "Local Currency Bond/ Sukuk Deal of the Year," "Real Estate Finance Deal of the Year" and "Islamic Finance Deal of the Year" and second place in the "Structured Bond Deal of the Year" category at the 2019 Bond & Loans Turkey Awards. In addition, our Company was recognized with the Private Sector



to reflect the return of the reference, in which the returns of the issued securities are indexed, completely to the issued asset.

WE ARE STRENGTHENING OUR TECHNOLOGY INFRASTRUCTURE.

We continue to reinforce our technology infrastructure, which is an essential tool in today's world. Our strong infrastructure allows us to enhance the quality of services we offer to our broad customer base and ensures smooth transactions around the clock and across Turkey.

Our organizational structure became more dynamic, to better manage the expectations of our investors. With difference-making, strong analysis, sector and company reports prepared by our Investment Advisory and Individual Portfolio Management Units, we completed projects to reach our investors more easily, using technology. We consider the Smart Suggestion System and many of our other projects as highly effective elements in achieving our corporate goals. We focused on strengthening our technology infrastructure in 2019 and we will expand these investments further in the coming years.

Our Institution underwent a detailed audit within the scope of the CMB's Communiqué on the Independent Auditing of Information Systems.

Our efforts to develop our smartphone applications continued. With our mobile applications, different functions such as VIOP money deposit and money transfer were offered to our clients. Our order transmission infrastructure to Borsa Istanbul Stock Market was accelerated, thus increasing the transmission speed of orders to 200 orders per second.

Within the scope of the agreement we concluded with Emlakbank, integration studies were carried out to provide order transmission to the Borsa Istanbul Stock Market in addition to corporate finance services.

In 2019, Halk Invest delivered a strong financial performance and maintained its solid market position. As of the end of 2019, our net profit reached TL 91 million, an increase of 51%. In the same period, the return on equity increased from 38% to 44% and our equity reached TL 230.2 million as of the end of 2019.

This remarkable performance is the result of an efficient combination of our highly qualified workforce and our strong infrastructure.

2020: WE ARE ACCELERATING OUR SUCCESS.

Halk Invest Human Resources engages in recruitment, career planning, and performance management processes. The Department also organizes training

programs to support employees' personal and professional development, with a view to achieving goals and efficiency.

Halk Invest is aware that it should not be a company solely focused on profit and that the adoption of good corporate governance principles will result in long-term gains. With this approach, our long-term plans are shaped to fulfill our responsibilities towards the next generations. As Halk Invest, we are supporting the Aizanoi archaeological excavation to ensure that our historical values are carried into the future. The memorial forest, created in Istanbul Şile, is among the steps taken in this direction. The Company also strives to reduce its environmental impact by sorting its waste and sending it to be recycled.

We strongly believe that 2020 will herald new success stories for Halk Invest, and we are determined to accomplish our objectives. As we continue to introduce additional digital products and services, we contribute to the improvement of our capital market. Meanwhile, our efforts in overseas markets will increase the effectiveness of the domestic market across international platforms. We aim to make 2020 a productive year in which we accelerate our success and set our sails for new achievements to realize our targets.

I would like to extend my gratitude to our colleagues and stakeholders, whom I believe are our most powerful asset in achieving these goals and projects.

Best regards,

BÜLENT SEZGİN

Acting CEO



EXECUTIVE MANAGEMENT

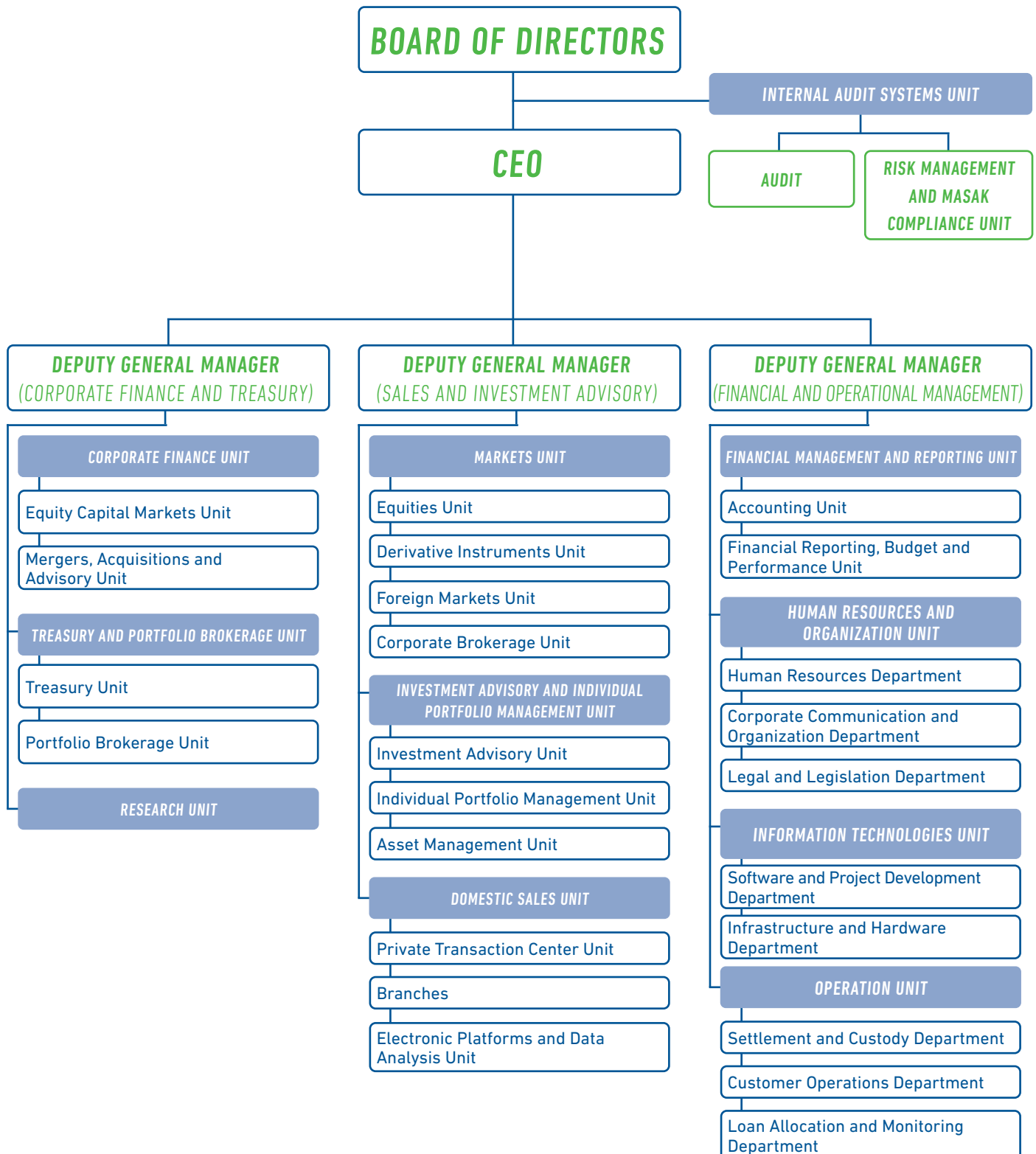
BÜLENT SEZGİN*BOARD MEMBER AND ACTING CEO*

Bülent Sezgin was born in Bandırma in 1975. He graduated in 1997 from Middle East Technical University, Department of Political Science and Public Administration, and began his professional career in capital markets that same year. He went on to work at various positions in the sector. In 2011, Mr. Sezgin was appointed Manager of the Corporate Finance Department at Halk Invest. He has served as Deputy General Manager of Corporate Finance and Treasury since 2012. Appointed as the Acting CEO of the Company as of July 1, 2019, Mr. Sezgin, also serves as a member of the Board of Directors.

EVREN KARABULUT*DEPUTY GENERAL MANAGER*

Evren Karabulut was born in Balıkesir in 1971. He graduated from Middle East Technical University, Department of Statistics in 1995. Subsequently, he started working in the capital markets, serving in various positions in the sector until 2018. Mr. Karabulut was appointed in January 2018 as Deputy General Manager responsible for Sales and Investment Advisory at Halk Invest.

ORGANIZATIONAL CHART



MACROECONOMIC OUTLOOK

As the rebalancing process is consolidated, growth composition is expected to also rebalance, and the growth rate to increase.

DECREASE IN INFLATION

The inflation rate – exceeding 20% as of the end of 2018 – dropped to 11.84%.



Despite weakness in the manufacturing sector driven by the US economy and that country's trade wars, we believe that the fact that a significant portion, approximately two-thirds, of the national income created, consists of consumption; and that the data in this area, to a certain extent, supports a "slowdown in growth" scenario in 2020, rather than a global recession.

However, the critical element in growth and global risk perception appears to be developments regarding the coronavirus outbreak, which started in China at the end of 2019. As well, it is expected that, although there were positive developments in the first months of 2020, trade wars will have an impact on growth. In 2020, that impact is expected to be reflected in terms of 0.8-point global growth and 0.4-point in US growth.

Regarding the contribution to growth by the Fed's monetary policy, US President Trump supports the competitiveness of the United States, and maintains his pressure on the Fed to continue this supportive approach along the line that the Fed should compensate for the separation in 2019 compared to other central banks. In this direction, it is expected that the supportive monetary policy approach – begun in the second half of 2019, and made even more evident by continued interest rate cuts with the surprise

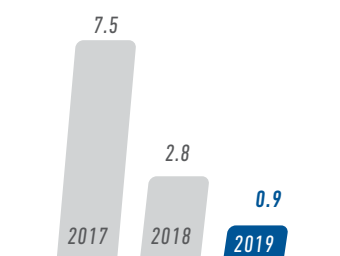
decision in March 2020 – to be maintained in 2020 due to the coronavirus-driven downshift in both global and US growth.

EUROZONE RECOVERY, STARTED IN THE FINAL QUARTER OF 2019, MAY BE INTERRUPTED.

Becoming subject to "second Japan" concerns due to the loss of speed in the growth realizing harder than expected with the withdrawal of the expansionary side of monetary policy, the Eurozone completed 2019 with an annual growth rate of 1.2% – a result of the trade wars targeting the region, and the effects of negative interest rates.

Furthermore, the negative interest environment – put into force in 2016 to support growth by supporting an increase in investments – along with the increase in the inflation rate, which failed to reach the targets, was ineffective regarding inflation, contrary to expectations. The negative interest environment also distorted the competitive structure of the real sector and caused downward risks on growth to continue. The coronavirus outbreak also exerted strong pressure on growth. In shaping expectations for 2020 amid this risk perception, indications suggest that the growth rate will be limited to 1.0%. However, at this point, both the moves of the European Central Bank to reactivate policy support proactively due to the rapid response of the regional economy to the expansionary monetary policy in the

TURKEY'S GDP GROWTH RATES (%)



past and the reflections of the “common budget” concept being put into the agenda more seriously in the region should not be ignored.

REBALANCING IN TURKISH ECONOMY GROWING STRONGER

In the second half of the previous year, the Turkish economy entered a technical recession by shrinking for two consecutive terms; however, it managed to quickly emerge by growing on a quarterly basis from the first quarter of 2019. The Turkish economy grew by 2.0% on a quarterly basis in the first quarter of 2019, by 1.1% in the second quarter, by 0.8% in the third quarter, and by 1.9% in the fourth quarter, thus achieving annual growth of 0.9% throughout the entire year.

Managing to stay at single digit levels, though recorded above the 5% target between 2012 and 2016, annual consumer inflation fell slightly below 20% in the first five months of last year, finally declining again to single digits in the September-October period with the support of the base effect, although it reached its peak above 25% in October 2018. In the November-December period, a moderate increase was recorded due to the reversal of the base effect, concluding the year at 11.84%.

With regard to monetary policies, the first half of 2019 passed within the framework of maintaining the tight stance, which became evident with the sharp interest rate hike in the second half of last year. However, the second half of the year also saw a loosening, due to the major impact of the supporting policies of monetary policy authorities against the rapidly emerging weaknesses in the global economy, the environment of recovery and confidence emerging in critical economic balances, and inflation. This commenced with the “front-end loading” interest rate cut of 1,200 basis points starting from July. As such, the repo auctions interest rate saw a quick drop from 24% to 12%. As of the first month of this year, a ‘prudent’ rate cut process has been initiated.

Within the scope of the successful rebalancing in the economy in 2019, the recovery trend becomes evident in that the current balance is the most prominent. The addition of the New Economic Program approach of supporting exports to increase international competitiveness following the serious loss of value against foreign currency, has resulted in the current account balance showing a surplus for the first time since October 2002 on an annual basis, in line with the slowdown in domestic demand, the moderate course of global energy prices and the base advantage.

TL ASSETS REMAIN ATTRACTIVE

In the rebalancing consolidation process, it is expected that growth composition will also show a rebalancing as well as an increase in the growth rate. The trend of the net foreign demand-weighted growth model, which became prominent especially from the second half of last year, to return to its traditional domestic demand-weighted outlook in 2020 is highly possible. Recovery expected in the production and investment plans of economic units due to decreasing borrowing costs, as well as financial stability, points to a more positive outlook,

although ongoing concerns regarding global growth may drive a modest recovery process to the contribution of the foreign demand.

Regarding price developments: although moderate fluctuations in the annual inflation rate may occur in the first half of 2020, the disinflation process is expected to accelerate in the second half.

In the balance of payments, the current account deficit rate, which is mainly around 3-5% other than in the contraction periods in the economy indicates a new period closer to a balance with the moderate course of energy prices and the rebalancing period.

Consequently, with the strong support of the policy measures determined in the New Economy Program, we believe that we will not only witness that the rebalancing will strengthen and the change will continue, but also the recovery process to begin for our country credit note, which fell below the “investment grade” with consecutive decreases since 2016.



MARKETS

By effectively utilizing Halkbank's broad distribution network, the Markets Unit serves customers through seven investment branches, Derivative Instruments, Share Market, Foreign Markets and Corporate Sales Units, and via Halkbank branches across 81 provinces.

INFRASTRUCTURE INVESTMENTS

The Markets Unit continues to elevate its service quality via its infrastructure investments.



The Halk Invest Markets Unit is structured on the Futures and Options Market, in which derivative instruments within Borsa Istanbul are traded, and Share Market, Foreign Markets and Corporate Brokerage activities.

By effectively using Halkbank's broad distribution network, the Markets Unit serves customers through seven investment branches, Derivative Instruments (VIOP), Share Market and Corporate Sales Units, and via Halkbank branches across 81 provinces.

The Unit offers traditional brokerage services to private, corporate, and/or collective investment institutions willing to transfer purchase and sales transactions to stock markets.

After the start of VIOP trading in new share term and flexible term option contracts, along with the initiation of evening sessions, investors who sought to trade for hedge and investment purposes were able to utilize various alternative products within extended trading hours.

The Markets Unit continues to increase its service quality via its infrastructure investments. Accordingly, in 2018:

- ✓ By including the HalkFX account USD collateral deposit feature through the Halkbank internet branch, collateral deposit transaction efficiency was increased in Forex accounts.
- ✓ Together with the Halkbank Training Department, trainings on Derivatives were organized for regions and branches, and it was aimed to raise awareness among the Bank's employees and to increase sales and marketing activities.
- ✓ To ensure that VIOP risk management is more efficient and secure, necessary steps have been taken to implement the intraday margin call process in a certain procedure within the Company.

The Unit will continue to move forward on reaching its targets in 2020 by increasing its focus on electronic platforms.

The Corporate Brokerage team is committed to meeting the needs of qualified private and institutional domestic investors. The Team conducts brokerage

activities in the area of debt instruments, including corporate financing products, and sukuk issues. This approach ensures product diversity in its customer portfolio.

In 2019, the Unit sold bank bonds and commercial papers to Halkbank's qualified retail customers, as an alternative to deposits.

In addition to these activities, the Corporate Brokerage Unit organized trainings on Debt Instruments for Halkbank customer representatives, to ensure that financial solutions are in accordance with investors' risk profiles and return expectations.

FOREIGN MARKET TRANSACTIONS

The Foreign Markets Unit was established to ensure that individual and corporate investors can trade quickly and easily in the stocks and ETFs (Exchange-Traded Funds) that are traded primarily in America and Europe.

Halk Invest's request to extend its activity permit in foreign markets, pursuant to the Communiqué on Principles Regarding Investment Services, Activities and Ancillary Services No. III-37.1 and the Communiqué on Principles of Establishment and Activities of Investment Firms No. III-39.1 to cover shares, other securities, share-based derivatives and share index-based derivatives, was approved by the CMB at the meeting dated February 28, 2019, numbered 2019/12.

Foreign market transactions are available under Halk Invest as of February 2019. Our investors can trade stocks and ETFs in the world's leading stock exchanges in terms of market depth, such as New York, London and Frankfurt via desktop and mobile platforms.



INVESTMENT ADVISORY AND INDIVIDUAL PORTFOLIO MANAGEMENT

Provided to customers within the scope of the Investment Advisory Agreement, investment advisory services are aimed towards expanding investors' knowledge and financial literacy.

STOCK MARKET LEAGUE

The Stock Market League mobile competition aims to provide a fun learning experience.



SMART RECOMMENDATION SYSTEM

The Smart Suggestion System aims to ensure that customers can make informed investments.

INVESTMENT ADVISORY

The Investment Advisory Unit provides services related to all capital market instruments. Financial solutions that satisfy the expectations of investors, along with guidance and recommendations, ensure that it is easier for investors to make final decisions.

This service is provided to customers under an Investment Advisory Agreement, and in accordance with the results of an appropriateness test. The Investment Advisory aims to expand an investor's knowledge and financial literacy.

In addition to conducting necessary informational activities offered to customers and sales teams regarding qualified capital market products and preparing customized analysis, the Unit continued its activities in 2019 with two important projects.

These studies are aimed towards contributing to the development of financial literacy. Breaking new ground in the fields of advisory and capital markets, Halk Invest completed preparations to launch the Smart Recommendation System and the Stock Market League mobile application for all investors in 2020.

The Stock Market League application is designed to provide a fun learning experience. A quiz offering real-time stock market data to all investors has been planned to assist in the development of financial literacy. There are also training modules that explain prediction processes, pricing dynamics, and successful investment process; in addition, the application aims to offer real prizes.

The Smart Recommendation System (SRS) was established for Halk Invest customers. The SRS collects all financial market data and analyses, as well as modules that assist in making investment decisions, on one platform. The system is targeted towards increasing the number of investors in the capital markets, as well as helping our current investors to build a knowledge base in the financial services area and ensure their success in investment decisions.

Special analyses within the framework of Investment Consultancy activities are provided to financial and non-financial institutions such as pension, banks and portfolio management companies, as well as services against payment.

INDIVIDUAL PORTFOLIO MANAGEMENT

Individual Portfolio Management (IPM) is a tailored portfolio management service offered to individual and corporate customers in accordance with certain management criteria determined by the investors, such as benchmarking criteria, band of investment, and assets to invest or not invest in. Accordingly, portfolio management experts manage investors' savings as their authorized agents.

The Individual Portfolio Management service is provided under an Individual Portfolio Management Agreement between Halk Invest and investors.

With this service, investors able to benefit their savings from opportunities occurring in the markets without analyzing the news and data flow, without having to constantly and closely follow the markets, without dealing with complex financial accounts, and most importantly, by having more time for themselves and their business.

Individual Portfolio Management service process takes place with the steps below:

- ✓ After determining customer's investment objectives, risks that can be taken, and financial assets that will or will not be included in the portfolio, a detailed agreement is prepared including benchmarking criteria to compare portfolio performance, fees and commissions.
- ✓ Portfolio managers start the portfolio management process in accordance with the criteria set out in the agreement. Assets are distributed in the relevant portfolio, based on research and quantitative analysis.
- ✓ Portfolio performance is monitored in real-time, and portfolio managers implement the position changes and revisions, as required by market conditions.
- ✓ Individual Portfolio Management fees are determined based on the size of the portfolio while performance commissions are determined according to the benchmarking criteria.

In 2019, the Individual Portfolio Management service started to be actively provided. Accounts were opened and services are being provided for 33 individuals and institutions. The software infrastructure continued to be developed and improved. Changes to the team and the organization enhanced efficiency. For the Smart Recommendation System, studies for new modules suitable for the Department services are carried out, and

these activities are accelerated with new recruits for active marketing services. Increasing cooperation with third-party financial institutions resulted in an expansion of the service tree.

The Department will continue to leverage the deep-rooted history of Halk Invest's main shareholder Türkiye Halk Bankası A.Ş., and the expertise of portfolio managers with capital markets experience, to provide steady and consistent returns and offer the right products for different needs in portfolio management, as well as to deliver a steady performance that will satisfy investors in the long term, and to develop new financial instruments and alternative investment solutions by closely following evolving market and industry dynamics.

ASSET MANAGEMENT

The Asset Management Unit was established in the last quarter of 2019 and started to provide active services. Asset management service is designed as a special unit in which investment advisory service is provided by using alternative investment products such as fixed-income investment instruments, stocks, derivatives and mutual funds, taking into account the risk and return expectations of customers, in order to add more value to the financial assets of qualified investors.

The Asset Management Unit aims to maintain its progress by adopting a new mission as of the start of 2020, with new financial and marketing services projects, to provide special services to qualified investors only.

RESEARCH

Upon the completion of digital investments in 2019, easy-to-read infographics highlighting the key aspects of economic analysis reports related to macro dynamics have been uploaded to digital platforms.

SMART CHARTS REPORT

Introduced in 2019, the Smart Charts report is intended for frequent use by investors.



The Halk Invest Research Unit provides support to branches and customers, including transferring accurate and timely market information, following and evaluating macroeconomic trends, analyzing global monetary policies and their effects on economies and markets, and generating projections on the outlook of the economy and financial markets, as well as analyses and forecasts.

The Unit prepares the following outputs: the Daily Bulletin, released every day, which contains economic and financial market outlooks and expectations to short/medium-term changes in key financial indicators presented in comparison with other countries; the Smart Charts report, which includes short-term analyses and recommendations, as well as information on market dynamics and trends, and foreign positions; the Macroeconomic Strategy Note, which provides medium-term economic analyses; the Outlook Report, which is published once per year with content that includes the main themes of the coming year's global and domestic economic environment as well as information on the Turkish economy and expectations; and Economic Assessment Reports, which evaluate the general economic situation right after the announcement of key macroeconomic indicators. The Department also produces Company Reports, which assess the current situation and sector position of select companies in line with the financial

results they report; evaluates future cash flows using sophisticated financial models and thereby determine target stock prices; and indicates investment recommendations (e.g. buy-sell-hold) for these companies.

Last year, in addition to periodic reports, the Department also prepared detailed analysis reports on specific areas considered to be of high importance regarding market outlook.

The number of products with a higher market perception were increased. Daily recommendation reports providing short-term analysis and recommendations were also included in the portfolio.

Company reports containing future projections about the key dynamics and financial indicators of companies, and investment recommendations were also shared, along with macro analyses. As part of stock analysis efforts, macro and micro dynamics relating to companies were followed closely; reports containing insights and opinions about the effects of such dynamics on financial performance were also shared.

In 2019, new stocks were added to the stock portfolio, and the scope of research was expanded further. Hence, the Department became able to manage stock recommendations under the Model Portfolio in a more comprehensive and dynamic manner.

Upon the completion of investments in the digital area in 2019, infographics have been uploaded to digital platforms. These infographics display in an easy and descriptive manner the key highlights of economic analysis reports regarding macro dynamics.

The Research Unit further strengthened its support to Halkbank. The Company reinforced its Research support with opinions and comments on global and domestic financial markets and economic balances, reflections on sectoral developments and shares, and recommendations and meeting notes. In this regard, the Department continued to publish the weekly Market Report, prepared in line with the Bank's requirements and containing insight and analysis for the medium term, as well as insights on market strategy.

The primary goal of the Research Unit for 2020 is to consolidate the support provided to customers by increasing the number of products with high market perception, to expand the scope of research, and to strengthen the scope of report analysis with new company analysis reports. In addition to continuing the sectoral evaluation reports, for which coverage was expanded the previous year, it is aimed to consolidate the contribution of transform estimate and forecast data into investment advice by ensuring that the new sector analyses are included.

An additional objective is to increase investors' use of the Smart Charts report, introduced in 2019, which includes short-term analyses and recommendations, as well as key information regarding market trends, volume development and foreign positions.

The Stock Model Portfolio ensures that the concrete results of research opinions in the field of financial investment are monitored within the framework of dynamic management strategy; the Portfolio showed a 20.46% positive performance relative to BIST-100 in 2019.



In 2020, the Stock Model Portfolio aims for a continued successful performance.

In 2020, the scope of research coverage will expand further with the inclusion of new stocks in the Portfolio.

Plans to maintain and reinforce interaction with Halk Academy will continue in 2020. Activated within the framework of meetings, products and services, as well as market strategy and investment opinions, are shared with Halkbank branch managers.

Support towards efforts to upload the infographics introduced in 2019 to digital platforms will continue in 2020 as well.

At the end of 2019, the Model Portfolio was transferred to the digital platform, and a platform that allows branches and customers to monitor the portfolio actively was established. In 2020, it is aimed to operate this platform efficiently and provide maximum benefit.

TREASURY AND PORTFOLIO BROKERAGE

Through the portal provided to portfolio management companies in 2019, it is now possible to send orders directly to Borsa Istanbul Debt Instruments Markets.

INCREASE IN TLREF UTILIZATION

Treasury Unit plans to utilize the Turkish Lira Overnight Reference Interest Rate (TLREF) more frequently for the solutions it offers to customers.



TREASURY

The Treasury Department's activities can be divided into three main categories:

- ✓ Preparing and managing the Company portfolio
- ✓ Managing company and customer cash flows
- ✓ Brokerage activities

MANAGING THE COMPANY PORTFOLIO

It covers the management activity of the company equities. The trade transactions of debt instruments issued to the domestic and foreign markets by the public and the private sector within the scope of short-term and long-term expectations and the projections made have continued with an increasing volume. As the Debt Instruments Market operating under Borsa Istanbul is generally preferred for transactions, the over-the-counter market is also used frequently, especially in foreign currency debt instruments.

MANAGING COMPANY AND INVESTOR CASH FLOWS

Management of Halk Invest's cash flow relates to using cash surplus resulting from Company activities or meeting the Company's cash needs. In addition to being responsible for regulating Halk Invest's cash flows, the Treasury Department takes the necessary steps to ensure the healthy flow of monetary resources through the

Company. Furthermore, the Department makes sure that customers' daily money movements are unimpeded and timely.

Introduced in 2018 and attracting strong interest from investors, the T+0 application became fully automated in 2019 and the transaction limits were increased, thus making it possible to reach a wider audience.

Infrastructure developments continued in 2019 to ensure that customers can make their cash transfers in the quickest and most reliable way possible, and new transfer channels have been included.

BROKERAGE ACTIVITIES

Engagement in brokerage activities relates to brokerage services for customers' Borsa Istanbul Stock Exchange, Debt Instruments Market and Takasbank Money Market transactions. Transactions are usually undertaken for corporate customers, most of whom are investment and retirement funds or portfolio management companies managing these funds.

In 2019, new customers provided with brokerage services were onboarded. At the same time, through the portal provided to portfolio management companies, it became possible to send orders directly to Borsa Istanbul Debt Instruments Markets.



In 2020, the Treasury Unit aims to play a more effective role in the Eurobond market, where transactions take place mostly in over-the-counter markets, in addition to increasing the share received from the market by increasing the number of individual and corporate customers and transaction volumes reached in brokerage activities via opportunities created by technological developments. Furthermore, the Treasury Unit plans to utilize the Turkish Lira Overnight Reference Interest Rate (TLREF) more frequently due to the solutions it offers to customers.

PORTFOLIO BROKERAGE

Portfolio brokerage relates to the activity whereby investment institutions undertake their customer's capital market buy and sell orders as the counterparty.

The Portfolio Brokerage Unit determines the security prices to be applied to customers during the realization of customers' purchase and sales orders related to securities.

The Portfolio Brokerage also offers by-products, known as structured financial instruments, in addition to the major traditional products in the industry. The Unit adds these instruments to traditional investment portfolios.

As well, the Unit tracks prices in different markets and performs inter-market arbitrage transactions that generate profits.

CORPORATE FINANCE AND ADVISORY

In 2019, Emlak Konut REIT carried out 14 management contract-based sukuk issues in which Halk VKŞ was the issuer and Halk Invest participated as the intermediary.

110 ISSUES

In 2019, Halk Invest undertook a total of 110 transactions amounting to TL 23.6 billion.



Halk Invest's Corporate Finance and Advisory Department engages in debt instrument issues, public offerings and sukuk issues, as well as merger and acquisition brokerage and consultancy activities.

The Department provides brokerage and advisory services to companies seeking to expand their range of operations, enter new markets and increase their competitive edge, meet capitalization needs or go public in capital markets to bolster their corporate reputation, issue debt instruments or sukuk, and conduct domestic/foreign partnership or share sales transactions.

As part of Halk Invest's corporate finance activities in 2019, the Department mainly performed debt instrument and sukuk issues in line with developments in financial markets.

In 2019, Halk Invest undertook a total of 110 transactions amounting to TL 23.6 billion. Of those transactions, 25 were sukuk issues (TL 3.8 billion), while 85 were conventional debt instrument issues (TL 19.8 billion). The Company is the market leader, thanks to the issues it undertook in 2018.

TLREF BASED ISSUES

Halk Invest issued 12 different debt instruments in which Halkbank participated as issuer; these instruments were indexed to the Turkish Lira Overnight Reference Interest Rate (TLREF) created by Borsa Istanbul in accordance with international standards and based on BIST TLREF Index return.

In addition to conventional products, Halk Invest offered different product alternatives and high returns to investors with its TLREF and Inflation (CPI) Indexed Coupon Halkbank Bond product (BISTTLREF Index Return + Additional Return or TLREF Rate + Additional Return), which is a first in Turkey; the TLREF Indexed product, also a first in our country; and the Five-Year Term product, product with Quarterly Coupon Payments and the Dynamic Additional Return product. To date, 38 TLREF-based debt instruments, with a total value of approximately TL 17.2 billion were issued in the market; Türkiye Halk Bankası A.Ş. realized 22% of these transactions with 12 transactions amounting to TL 3.69 billion through Halk Invest.

INFLATION INDEXED – RETURN-PROTECTED (INTEREST) COUPON COMMERCIAL PAPER ISSUE

For the first time in Turkey, the Company offered investors a fixed annual return rate at the beginning of the term and, also, included the accounting rate of return to be added on the increase rate of the CPI Indexed Government Bonds Reference Indices between the bond's term beginning and end dates. Thus, in the event that a new rate or return calculated via this method exceeds the promised rate of return, the additional return payment will be calculated for the entire term of the coupon bond and will be transferred to investors, in addition to the final coupon payment. The public offering issue volume has reached TL 500.5 million.

SUKUK ISSUES

Halk Invest has completed the third sukuk issue, with chickpeas as the base asset, in which Halk VKŞ was the issuer and the Turkish Grain Board (TMO) participated as the fund user/source institution with an issue size of TL 50 million with a maturity of 98 days in October 2019 with a method of sales to individual and corporate investors. This sukuk transaction in November 2017 was the first sukuk issue in Turkey and worldwide to use agricultural commodities as an underlying asset. TMO was designated as the fund user, and the transaction was based on a management contract and sale/purchase agreement. The transaction set an example for other issues in the market, and it received Turkey's Best Islamic Finance Transaction award at the 2018 IFN Awards. The Islamic Finance News (IFN), widely known as one of the most prestigious news portals in Islamic finance circles, declared the transaction "a boost to agricultural activities supported by Islamic financing." TMO deals received first place in the "Local Currency Bond/Sukuk Deal of the Year" and "Islamic Finance Deal of the Year" categories at the 2019 Bond & Loans Awards.

In 2019, Halk Invest performed seven sukuk issues amounting to TL 900 million, based on management contract for Halk Gayrimenkul Yatırım Ortaklığı A.Ş., which realized the first sukuk transaction in the real estate investment trust sector, and in which Halk Varlık Kiralama A.Ş. (Halk VKŞ) participated as the issuer. The Halk REIT deal received first place in the 'Real Estate Finance Deal of the Year' and second place in the "Structured Bond Deal of the Year" categories at the 2019 Bond & Loans Awards.

Emlak Konut REIT, the largest real estate investment trust in Turkey, undertook 14 sukuk issues in which Halk VKŞ was the issuer and Halk Invest participated as the intermediary; the issues amounted to TL 2.4 billion based on management contract.

The issue dated February 26, 2019, amounting to TL 250 million, in which the Company was the fund user, was the largest volume sukuk issue in which the real sector is a fund user.

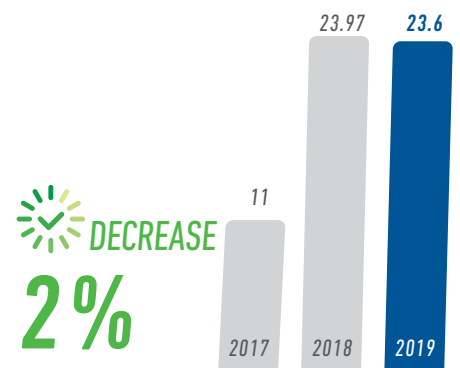
In addition, Halk Invest undertook two sukuk issues in 2019 amounting to TL 225 million. The issues were based on management contract in which the asset portfolio included the fiber internet infrastructure services of Turkcell Superonline, a subsidiary of Turkcell, which is one of the largest digital operator companies of Turkey.

At the end of 2019, Halk Invest undertook a sukuk issue for Kayseri Şeker, Turkey's second largest sugar producer, based on management contract and trade in which the asset portfolio was beet sugar (crystal sugar) included to quota A, at the rate of 120% of the issue amount with a total amount of TL 150 million.

Initiating sukuk activities in 2014, Halk Invest mediated 25 sukuk transactions in 2019 with a total amount of TL 3.8 billion. The Company mediated 85 transactions with a total amount of TL 19.8 billion for conventional products.

In 2020, Corporate Financing and Advisory aims to contribute to market growth by developing debt instruments and structuring new products in the sukuk market; sustainably capturing more market share; and bolstering its market position through qualified transactions in the areas of merger and acquisition advisory.

TOTAL AMOUNT OF PRIVATE SECTOR DEBT INSTRUMENTS AND SUKUK ISSUES (TL BILLION)



INFORMATION TECHNOLOGIES

The Teknopark software team implemented the first phase of the Smart Recommendation System (SRS) Project in 2019.

STRONG ORDER TRANSMISSION INFRASTRUCTURE

The order transmission infrastructure with the Borsa Istanbul Stock Market was accelerated, with the transmission speed rising to 200 orders per second.



The Information Technologies Department is responsible for planning, implementing and ensuring the security of the technological architecture of in-house processes related to developing markets and products. The Department develops infrastructure platforms and closely monitors the latest technological developments with the aim of offering secure and fast services to Halk Invest's diversified customer base.

The Information Technologies Unit concluded 2019 with multiple achievements, including implementing technological infrastructure investments, accelerating information security efforts, improving the order transmission process, and continuing other ongoing activities that add value to the Halk Invest brand.

The Department accelerated the order transmission infrastructure with the Borsa Istanbul Stock Market, raising the order transmission speed to 200 orders per second. A monitoring infrastructure has started to be used to enhance the service quality to Halk Invest customers. The monitoring system detects any slowdowns and interruptions in the technological infrastructure in the early stages, and sends warnings to the relevant units.

As Halk Invest took a new step within the scope of the business partnership with Emlakbank, completing the integration of an infrastructure to provide order transmission to the Share Market. In this context, orders entered by Emlakbank customers using the

Emlakbank internet branch will be transmitted to Borsa Istanbul via the Halk Invest system. In addition, the necessary integration infrastructure was created to ensure that customers can enter public offering requests and perform fund transactions.

To ensure that portfolio managers can transmit trade orders sent to Debt Instrument Market through a joint platform, development of the necessary infrastructure was completed and the platform was launched in the first quarter of 2019.

Halk Invest mobile applications introduced features such as collateral deposit and money transfer functions to investors. The necessary infrastructure-related activities and notifications were implemented to ensure the protection of investors' personal data.

The Teknopark software team implemented the first phase of the Smart Recommendation System (SRS) Project in 2019. The aim of the SRS platform is to enable customers to make more deliberative investments using investment recommendations provided by the Investment Advisory and Research Units. The SRS project is expected to be ongoing, with new phases in 2020; the first of these phases will be to open the SRS to customers via web and mobile channels.

The Survey Development and Measurement Project was developed, and the project software offered for internal use upon its completion by Halk Invest's own software teams.

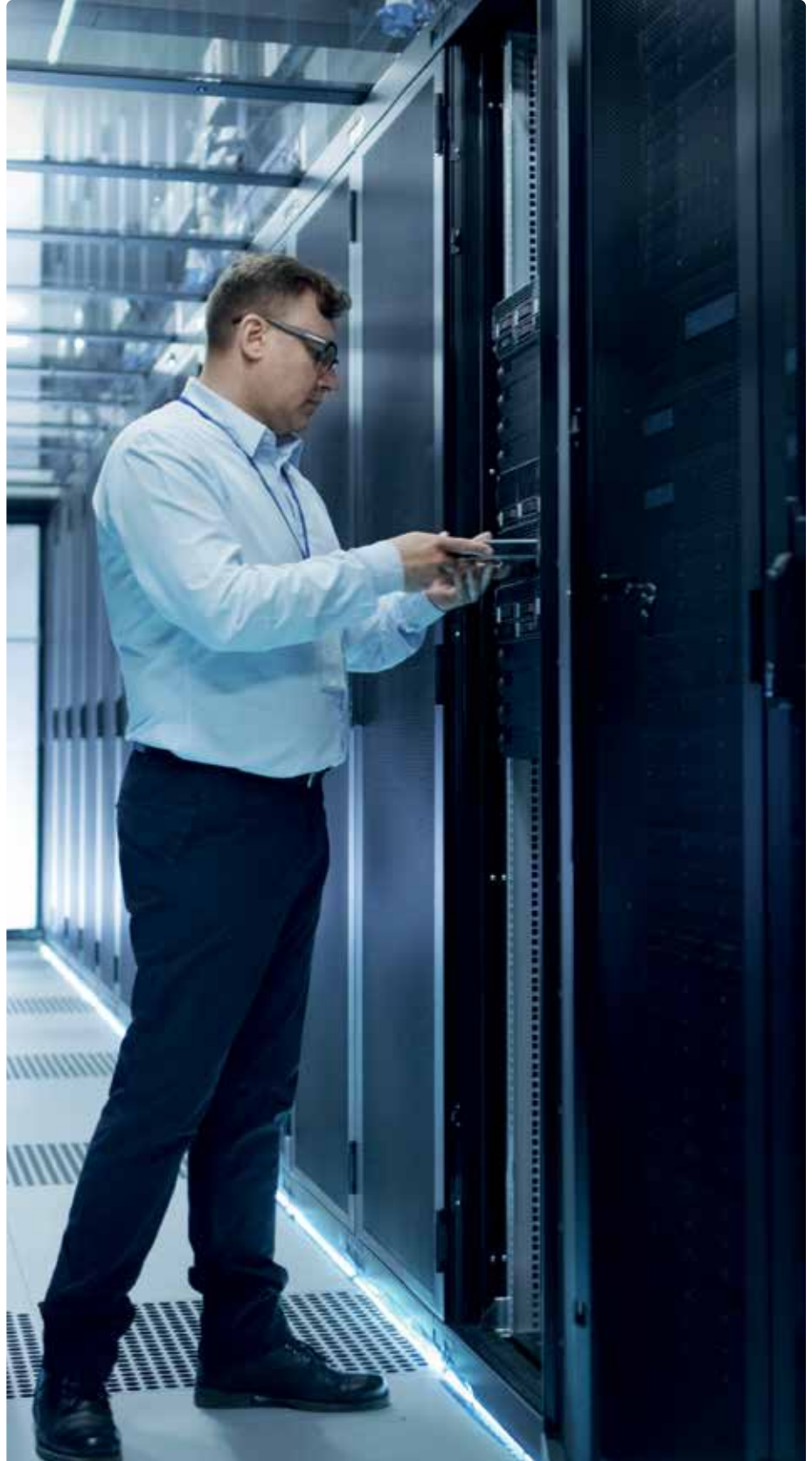
With this project, necessary steps were taken to ensure the professional and occupational development of the Company's employees and to increase engagement.

In 2019, Halk Invest underwent a detailed audit within the scope of the CMB's Communiqué on the Independent Auditing of Information Systems. Prior to the audit, carried out for the first time, reviews were conducted of the information technologies infrastructure, business methods and holistic procedures; all were prepared for the audit. Some of the activities conducted within the scope of pre-audit compliance are given below:

- ✓ The database activity monitoring system, in which database activities are recorded on a user basis and reported periodically, was put into practice.
- ✓ Host servers were renewed to keep the technological infrastructure updated; the data storage infrastructure was improved with all flash systems.
- ✓ An emergency center was established in a different city than that of the host servers, to provide redundancy. The hardware infrastructure was completed and activities to back up the applications are ongoing. Activities for the establishment of the New Emergency Action Center are also ongoing.
- ✓ The first phase of the Central Identity Management Project carried out with Halkbank and its subsidiaries was completed. With the support of Halkbank, an important step will be taken regarding information security.

All computers and monitors in the Halk Invest branches were renewed.

In addition to software and infrastructure development activities, the Halk Invest Information Technologies Department completed the initial phase of the Stock Market/Investment mobile application project, which is the first gamification project in the sector to be offered to all iOS and Android users. The project aims to help raise financial literacy throughout the country.



INTERNAL AUDIT SYSTEMS

Internal control and audit activities are carried out by the Audit Department under the Internal Audit Systems Unit in line with the CMB regulations.

RISK BASED AUDIT PLAN

These functions are undertaken in adherence to Capital Markets Board Legislation Serial V No: 68 titled "Notification on Rules to Apply to Internal Audit Systems of Intermediary Institutions" under the implementation of risk-based audit plans.



The internal audit system of Halk Invest consists of Audit and Risk Management as well as MASAK Compliance departments. As of 31.12.2019, continuous controls are performed in order for the activities of all business units, including the Company's Head Office and outlying organizations are carried out in accordance with the management strategy, efficiently, regularly and within the framework of laws, rules and Company policies.

Internal control and audit activities are carried out by the Audit Department under the Internal Audit Systems Unit in line with the CMB regulations. In accordance with its structure and responsibilities,

the Internal Audit Systems Unit performs the audit function of all units under Halk Invest in order to ensure that the workflow processes and activities are carried out in a complete manner and in accordance with the CMB legislation and other relevant legislations with the aim to carry the foundation of the Company to a strong structure. These functions are undertaken in adherence to Capital Markets Board Legislation Serial V No: 68 titled "Notification on Rules to Apply to Internal Audit Systems of Intermediary Institutions" under the implementation of risk-based audit plans. Capital Markets Board regulations and other relevant regulatory requirements, Company procedures and decisions of the Board of Directors form the basis of the audit process.

The Risk Management Department and MASAK Unit are structured to focus on its intended functions. These include: following-up on whether transactions conducted under portfolio brokerage are in line with Halk Invest management strategies, risk preferences and portfolio limitations; regularly monitoring the risk exposure of risk limits approved by the management and of portfolios monitored; designing and implementing a risk management system to fulfill risk measurement and control functions; issuing warnings to avert risk-posing activities; and taking precautions as needed. In addition, monitoring, control and audit activities are carried out within the scope of MASAK activities and legislation.

SUPPORT UNITS

Halk Invest Human Resources designs and conducts training programs for employees' personal and professional development; conducts recruitment, career planning and performance management processes in line with the principle of efficiency.

CONTRIBUTION TO CUSTOMER SATISFACTION

The Operation Unit fulfills customer demands outside of market transactions and contributes significantly to customer satisfaction.

FINANCIAL MANAGEMENT AND REPORTING

The Financial Affairs and Reporting Unit conducts the Company's financial reporting and designs the balance sheet. The Department systematically combines business activity results and figures obtained from different business lines. Financial Affairs also presents the relation of these figures to each other in projections published in accordance with financial reporting techniques.

With its accountancy and financial reporting efforts, the Financial Affairs and Reporting Unit ensures coordination between both the Company's relevant business units and with external auditors. In addition to preparing and managing the balance sheet, the Department is also charged with preparing statutory reporting as prescribed by applicable regulations, as well as ensuring and managing communications in these processes with regulatory and supervisory authorities.

OPERATIONS

The Operations Department manages business processes such as settlement and custody, customer operations, derivative instrument operations, cash operations, and loan allocation and monitoring.

The Department fulfills all other demands of the customers other than market transactions and makes a significant contribution to customer satisfaction. The Operations Department complies with all relevant legislation and fulfills its

responsibilities to regulatory bodies. The unit aims to reduce operational risks in processes related to structured markets and instruments with the help of relevant software and electronic platforms.

HUMAN RESOURCES AND ORGANIZATION

Recognizing that qualified manpower carries strategic importance in the financial services sector, Halk Invest consistently works towards continuous improvement and development of its human resources management. Designed to ensure the most efficient and productive use of its employees' talents and skills, the Company's Human Resource Policy is intended to constantly improve individual and team performance through quality enhancement processes and systems, while also offering a professional environment and career development opportunities to its employees.

The Halk Invest Human Resources and Organization Unit designs and conducts training programs for employees' personal and professional development. The Unit also conducts and designs recruitment, career planning and performance management processes, taking into consideration the principle of efficiency.

Career plans are established in consideration of employees' performance and personal competencies, professional knowledge and skills, and the managerial capacity of the employee during the period and within the framework of Human Resources regulations.

SUPPORT UNITS

Salary management at Halk Invest is carried out individually for each position and relies on a salary scale prepared objectively on the basis of business values, as well as on current conditions.

Number of Employees

134

Average Age of Employees

38

Employee Education Level

98% HIGHER EDUCATION

Female Employees/
Total Employees

43%

Salary management at Halk Invest is carried out for each position individually and relies on a salary scale prepared objectively, first on the basis of business values, as well as on current conditions. The salary scale is revised annually, in January, and applied to employees' salaries in accordance with each employee's periodic performance indicators.

The Training Policy is designed to provide opportunities for employees of all levels to attend training and workshop programs held in and/or out of Turkey. As well, the Policy endeavors to ensure personal and

professional development, taking into consideration each employee's career goals and the required qualifications.

According to staff planning in line with the Company's objectives, it is targeted to recruit qualified employees for positions to be filled.

CORPORATE COMMUNICATIONS

Corporate Communications works to ensure coordination in Halk Invest's internal communication, information flow, motivation and integration. At the same time, in its external communications, the Department manages communication processes under specified rules and guidelines to promote interaction with the Company's target audience.

Corporate Communications also works on the development of corporate social responsibility projects in compliance with the Company's vision. In addition, the Department conducts activities to ensure that services and corporate representation are carried out in line with the predetermined rules and standards, and to keep all communication channels open for the Company's stakeholders and customers.

Corporate Communications developments in 2019 are described below:

✓ Halk Invest received four awards in 2018 for the Company's Annual Report, prepared with a theme inspired by Aizanoi Ancient City; Halk Invest was the

main sponsor in the excavations. The Company also received three awards at the ARC Awards for its 2018 Annual Report, themed "Seeing Life From an Investment Perspective." The awards included a Gold in the Internal Design and Financial Statements categories and a Silver in the Cover Photo/Design category.

- ✓ Within the scope of World Investor Week celebrations, the Company attended the gong ceremony held on October 1, 2019 at Borsa Istanbul in cooperation with the Capital Markets Board (CMB), Borsa Istanbul A.Ş. and the Turkish Capital Markets Association (TCMA).
- ✓ Halk Invest also attended the panel titled "Access to Capital Market Instruments, Asset Management and Funds for Individuals," held at the Edirne Bar Association on September 18, 2019, within the scope of the activities regarding individuals in 2019 by the Turkish Capital Market Association.
- ✓ As the Halk Invest website and report formats are renewed, services provided through the site have also been improved. The profitable solution of modern investment, 'Score Card' service, collecting data such as technical data, price summary, market value, market and indices in one place, started to be offered via the Halk Invest website, and digital and social media were utilized more efficiently.



CORPORATE SOCIAL RESPONSIBILITY PROJECTS

Protecting our country's valuable cultural heritage is one of the most important responsibilities we will hand down to the next generations.

AIZANOI ANCIENT CITY

Starting its support for the Aizanoi City, home to the world's first known stock market in 2013, Halk Invest will continue this support as the "Main Sponsor" for 2017-2022.



AIZANOI ANCIENT CITY

Halk Invest is committed to fulfilling its social responsibility to the public by implementing projects that overlap with its areas of business activity and that are well-planned around targeted strategies. Since 2013, Halk Invest has supported excavation efforts at the 1,700-year-old Aizanoi city located in the Çavdarhisar district of Kütahya province. The ancient site is home to the world's first known stock market. The Company continues its support as "Main Sponsor" for the 2017-2022 period.

Protecting our country's valuable cultural heritage is one of the most important responsibilities we will hand down to the next generations. This boundless land has hosted numerous civilizations throughout history, fostered their prosperity and served as a peaceful home. Our lands will continue to serve these functions and be home for many generations to come, if, with our efforts, we unearth and exhibit Turkey's unrivaled cultural assets.

Ancient Aizanoi is one of the most exceptional treasures of this rich cultural heritage. The birthplace of global traditions that have extended into today's modern era, this geography has served as home to well-rooted civilizations. The site also proudly hosted the Aizanoi Macellum; presumably the world's first known stock market. Discovered in 1824, the ancient city of Aizanoi is spread across a large area including the Macellum.

The ancient city is dated around 200 A.D. and in different layers reveals rural architectural samples of the Turkish-Islamic Period. Current Çavdarhisar residents of Aizanoi experience their history in sync with their present.

Aizanoi excavations began in 1926, a century after its discovery. Since 2011, a team led by Prof. Dr. Elif Özer from Pamukkale University has worked to reveal the treasures that Aizanoi has hidden for centuries by applying local know-how. The ancient city is listed in the UNESCO World Heritage Candidate List with reference number 5724.

In ongoing excavations, ethnographic artifacts to be transferred to coming generations are unearthed, documented and registered. Some of these items are then exhibited, while others are safely stored for further study.

Halk Invest has sponsored Aizanoi Ancient City Excavations since 2013. This support included publication of the Aizanoi Introductory Booklet in English and Turkish in 2015 and the reference book titled "Aizanoi-2," which was edited by Site Director Prof. Dr. Elif Özer, and published in 2016.

HALK INVEST MEMORIAL FOREST

In line with its responsible business approach, Halk Invest expands its corporate social responsibilities into areas that overlap with its business activities and at the same time contribute to environmental sustainability. In cooperation with the Turkish Republic Ministry of Forestry and Water Affairs, General Directorate of Forestry, the Halk Invest Memorial Forest was set up with the planting of 2,000 saplings.



Research reports will be published via mobile applications in 2020.

On the other hand, investors are able to monitor the developments in the market through the Company's Facebook and Twitter pages.

DISCLOSURE OF THE ULTIMATE CONTROLLING SHAREHOLDER/S

The Company's shareholders are legal entities.

PUBLIC DISCLOSURE OF INSIDERS

No such list is disclosed since the Company is not a publicly listed company.

PART III – STAKEHOLDERS

INFORMING THE STAKEHOLDERS

Stakeholders may access information concerning the Company at any time by KAP, e-mail and/or in a written form through the Company's website.

STAKEHOLDERS' PARTICIPATION IN MANAGEMENT

Stakeholders receive a written invitation for participation in General Meeting of Shareholders.

HUMAN RESOURCES AND REMUNERATION POLICY

Recognizing that qualified manpower carries strategic importance in the financial services sector, Halk Invest continues activities toward continuous improvement and development of its human resource management. Designed to make the most efficient and productive use of the existing human resource, the Company's human resource policy is intended to constantly improve individual and team performance through processes and systems that enhance quality, while also offering a professional environment and career development opportunities to its employees.

Halk Invest Human Resources designs and conducts training programs for employees' personal and professional development as well as recruitment, career planning and performance management processes taking into consideration the principle of efficiency.

Career plans are established taking into account the performance, behavioral and personal competencies, professional knowledge and skills and managerial capacity of the employee during the period and within the framework of the human resources regulation.

Salary management at Halk Invest is carried out for each position individually and relies on a salary scale prepared objectively first on the basis of business values, as well as the current conditions. The salary scale is revised in January every year, and applied to the employees' salaries in accordance with the periodic performance indicators of the employee.

The training policy is designed to give employees in every title category the opportunity to attend training and workshop programs held in and/or out of Turkey, in an effort to ensure personal and professional development, taking career planning and the required qualifications into consideration.

According to the staff planning made in line with the Company's objectives, it is targeted to recruit qualified employees for the positions to be filled.

ORGANIZATIONAL CHART

The organization chart of the company is available at https://www.halkyatirim.com.tr/img/OrganizasyonSemasi_2019.pdf.

INFORMATION ABOUT RELATIONS WITH CUSTOMERS AND SUPPLIERS

The Company strives to provide services to its customers quickly and accurately with electronic communication tools in addition to its organizational structure it has formed with specialized employees to ensure that the customer demands are met in the best way possible. Within this framework, the Company continues to make new technological investments to increase customer satisfaction.

With the aim of promoting the Company's products and services and increasing the synergy between Halkbank and Halk Invest, product, sales and marketing training activities are offered to Retail Banking Customer Representatives determined by Halkbank.

SOCIAL RESPONSIBILITY

The Company develops and conducts social responsibility policies to contribute society while aiming to become a pioneer in all fields. A tangible example of these efforts is the support provided for the excavations at the ancient city of Aizanoi, which was home to the world's first known stock market. In line with its commitment to fulfilling its social responsibilities by implementing projects that overlap with its areas of business activity and within the framework of well-planned strategies,

the Company started providing financial support for the excavations at the Ancient City of Aizanoi, which is accepted to be the world's first stock market 1,700 years ago and is located on the borders of Çavdarhisar district of Kütahya province today. With the permission of the Ministry of Culture and Tourism, General Directorate of Cultural Assets and Museums, cash support has been provided since 2013, and the Company will continue to be the "Main Sponsor" during the period 2017-2022.

PART IV – BOARD OF DIRECTORS

STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS AND INDEPENDENT MEMBERS

Name-Surname	Position
1- Serdar SÜRER	Chairman
2- Kamil Enis TUNA	Vice Chairman
3- Ahmet ERDOĞAN	Board Member
4- Enes ÇELEBİ	Board Member
5- Güvenç USTA	Board Member
6- Ali ŞÖNER	Board Member
7- Bülent SEZGİN	Board Member/Acting CEO

QUALIFICATIONS OF BOARD MEMBERS

Projects of strategic significance are managed in-house with the aim of becoming an intermediary institution that pioneers in the restructuring of new products on capital markets, efficiently and effectively utilizes our Bank's strong distribution channels, and swiftly adapts to the influence of developing technologies on financial markets.

DUTIES AND RESPONSIBILITIES OF BOARD MEMBERS AND MANAGERS

In Article 10 titled Duties and Responsibilities of Board of Directors in the Company's Article of Association:

"Representation and management of the Company belongs to the Board of Directors. The Board of Directors reserves the right to reach decisions concerning all activities regarding the Company's purposes and scopes of activity, with the exception of authorizations which were granted solely to the General Assembly of Shareholders.

The Board of Directors regulates, fulfils and may transfer duties regarding the management and representation within the framework of Articles 367 and 370 of the Turkish Commercial Code.

COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The Board of Directors is authorized to transfer management completely or partially with an internal circular it prepares. The Board of Directors is required to hold the representation power of at least one board member when it transfers the representation power to one, or more than one, executive member or third party as managers."

ACTIVITY PRINCIPLES OF THE BOARD OF DIRECTORS

The Board of Directors meets monthly or in interim periods when necessary, and evaluates the extent that the Company has reached its objectives, while evaluating its activities and past performance. The agenda of the Board of Directors is created within the context of proposal offered by the Company management. The Board of Directors took 92 decisions in 01/01/2019 – 31/12/2019 activity period. None of these decisions received any dissenting views since Board Members were informed in advanced.

PROHIBITION OF MAKING TRANSACTIONS WITH THE COMPANY AND COMPETITORS

Between 01.01 2019 - 31.12.2019 activity period, the prohibition of making transactions with the Company and competitors was applied to the board members.

CODE OF ETHICS

In accordance with our main shareholder Halkbank and Turkish Capital Markets Association's regulations, Code of Ethics are established and presented to employees in written form.

NUMBER, STRUCTURE AND INDEPENDENCE OF COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

The Board of Directors has not yet established a Corporate Governance Committee. The Company continues efforts regarding compliance with the principles of corporate governance.

COMPENSATION, IN-CASH AND IN-KIND BENEFITS PROVIDED TO BOARD MEMBERS AND EXECUTIVE MANAGERS

Monthly attendance fee is paid to the Board Members with the approval of the General Assembly. Total amount of financial benefits, cash benefits and benefits in kind, insurances and similar warrants (salary, attendance fee, premiums, dividends, foreign language compensation, subsistence, private health insurance premium, private life insurance premium, individual annuity contribution, employer's share of social security, employer's share of unemployment insurance, representation hospitality, vehicle rent and fuel) are TL 2,478,964.47.

Duties and Responsibilities of the Board of Directors	Appointed Board Members		
	Name-Surname	Date of Appointment	Method of Appointment
Chairman	Serdar SÜRER	01.07.2019 - 2019/47	Decision of the Board of Directors
Vice Chairman	Kamil Enis TUNA	25.03.2019 - 2019/33	General Assembly
Chairman of the Credit Committee Chairman of the Credit Committee as per CMB Communiqué on "Margin Trading, Short Sales and Lending and Borrowing of Securities" (Serial: V, No: 65).	SERDAR SÜRER	25.03.2019 - 2019/33	General Assembly
Board Member in Charge of Internal Audit Board Member in charge of Internal Control as per CMB Communiqué on "Principles Regarding the Internal Auditing Systems of Brokerage Houses" (Serial: V, No: 68)	Kamil Enis TUNA	25.03.2019 - 2019/33	General Assembly
Board Member In Charge of Misuse of Information Board Member in charge of ensuring that employees fulfill their responsibility to notify as per CMB Communiqué on "Obligation of Notification Regarding Insider Trading or Manipulation Crimes" (V-102.1)	AHMET ERDOĞAN	25.03.2019 - 2019/33	General Assembly
Board Member In Charge of Financial Reporting Board Member in charge of Financial Reporting as per article 9.2 of CMB Communiqué on "Principles of Financial Reporting in Capital Markets"	Kamil Enis TUNA	25.03.2019 - 2019/33	General Assembly
Board Member In Charge of MASAK Compliance Unit Board Member in charge of compliance with MASAK Regulation on "Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism"	Kamil Enis TUNA	25.03.2019 - 2019/33	General Assembly
Board Member In Charge of Public Disclosure Form (KAF) Board Member in charge of signing Public Disclosure Forms as per CMB Communiqué on "Principles Regarding Public Disclosure by Intermediary Institutions" (V-77)	Güvenç USTA	25.03.2019 - 2019/33	General Assembly

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

*FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019
AND INDEPENDENT AUDITOR'S REPORT
(CONVENIENCE TRANSLATION OF FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH)*



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

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Halk Yatırım Menkul Değerler A.Ş. ("the Company") which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRSs").

2) Basis for Opinion

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



3) Emphasis of Matter

As further disclosed in Note 26, on 15 October 2019, an indictment prepared by the New York Southern District Attorney General of the United States (“US”) Department of Justice for violation of Iranian sanctions and a lawsuit was filed against the Parent Bank in the New York Southern District Court (“District Court”). This case and the Parent Bank’s objections in the District Court and the appeal process in the US Second Circuit Court of Appeals are ongoing. On 31 January 2020, the US Second Circuit Court of Appeals, granted a temporary stay on the New York Southern District Court litigation.

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

At this stage, the Parent Bank’s Management stated that there were no penalty, sanction or measure arising from the ongoing case against the Parent Bank in the appeal process. There is an uncertainty with respect to any decision by the US authorities that may adversely affect the financial position of the Parent Bank. No provision has been made in the accompanying financial statements related to these matters. Our opinion is not modified in respect of these matters.

4) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
<p>Revenue recognition</p> <p>The Company has revenue amounting to total TL 516,375,318 recognized under “sales income” in its statement of profit or loss and other comprehensive income for the period 1 January – 31 December 2019. The related income is disclosed in Note 2.5.1 and 18.</p> <p>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 application of internal controls applied by the management for recognition of revenue according to the relevant accounting accounting policies were tested. The total calculated trading volume of commissionary income was confirmed by independent sources. A detail test was applied on sales commissions. In addition, through the sample selected from the transactions realized in the accounting period, these transaction details were tested comparably with the relevant supporting documents in order to confirm that the income amount is recognized properly.</p>

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

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

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

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



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

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

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

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

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

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

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

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



B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 (“TCC”), nothing has come to our attention that may cause us to believe that the Company’s set of accounts and financial statements prepared for the period 1 January - 31 December 2019 does not comply with TCC and the provisions of the Company’s articles of association in relation to financial reporting.

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

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

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

A handwritten signature in blue ink, appearing to read "Müjde Aslan", written in a cursive style.

Müjde Aslan
Partner

İstanbul, 14 February 2020

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

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Statement of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 December 2019

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ
Statement of Changes in Equity for the Year Ended 31 December 2019

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

Notes	Share capital	Gain on revaluation and remeasurement	Accumulated other comprehensive income that will be reclassified subsequently to profit or loss	Other gains/losses	Restricted reserves appropriated from profit	Prior years' profits / (losses)	Profit/(loss) for the period	Equity
Balances as of 1 January 2018	82,000,000	1,924,018	(805,853)	12,135,929	3,462,787	32,564,001	131,280,882	
Transfers	-	(1,924,018)	1,924,018	4,375,838	28,188,163	(32,564,001)	-	
Profit for the period	-	-	-	-	-	60,087,870	60,087,870	
Other comprehensive income	-	-	305,980	-	-	-	305,980	
<i>Gain on revaluation and remeasurement</i>	-	-	-	-	-	-	-	
Total comprehensive income	-	-	305,980	-	-	60,087,870	60,393,850	
Dividend payment	-	-	-	-	(4,100,000)	-	(4,100,000)	
Capital increase	22,000,000	-	-	(590,058)	(21,409,942)	-	-	
Balances as of 31 December 2018	104,000,000	-	1,424,145	15,921,709	6,141,008	60,087,870	187,574,732	
Balances as of 1 January 2019	104,000,000	-	1,424,145	15,921,709	6,141,008	60,087,870	187,574,732	
Transfers	-	-	-	7,532,042	52,555,828	(60,087,870)	-	
Profit for the period	-	-	-	-	-	90,984,244	90,984,244	
Other comprehensive income	-	-	1,380,549	-	-	-	1,380,549	
<i>Gain on revaluation and remeasurement</i>	-	-	<i>1,380,549</i>	-	-	-	<i>1,380,549</i>	
Total comprehensive income	-	-	1,380,549	-	-	90,984,244	92,364,793	
Dividend payment	-	-	-	-	(49,763,013)	-	(49,763,013)	
Balances as of 31 December 2019	104,000,000	-	2,804,694	23,453,751	8,933,823	90,984,244	230,176,512	

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Statement of Cash Flows for the Year Ended 31 December 2019

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

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

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

1 Organisation and operations of the Company

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

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

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

The Company operates with 7 branches (31 December 2018: 9). Each branches of T. Halk Bankası A.Ş., act as an intermediary for the transmission of orders on behalf of the company in capital market transactions.

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

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

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

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

Approval of the Financial Statements:

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

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

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

2 Basis of presentation of the financial statements

The preparation of financial statements

Statement of Compliance to TFRS

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

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

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

Currency Used

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

Preparation of financial statements in hyperinflationary periods

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

Comparative Information, Adjustment and Reclassification of Prior Period Financial Statements

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

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

Changes in Accounting Policies

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

Changes in Accounting Estimates and Errors

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

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

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

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

Changes in Accounting Estimates and Errors (cont’d)

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

New and Amended Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective as of 2019

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

TFRS 16 Leases

General impact of application of TFRS 16 Leases

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

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

Impact of the new definition of a lease

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

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

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

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

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

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

a) Amendments that are mandatorily effective as of 2019 (*cont'd*)

TFRS 16 Leases (*cont'd*)

Impact on Lessee Accounting

Operating leases

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

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

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

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

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

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

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

Finance leases

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

Impact on Lessor Accounting

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

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

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

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

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

a) Amendments that are mandatorily effective as of 2019 (*cont'd*)

IFRS Interpretation 23 *Uncertainty over Income Tax Treatments*

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

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

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

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

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

Annual Improvements to IFRS Standards 2015–2017 Cycle

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

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

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

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

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

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

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

TFRS 17 Insurance Contracts

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

Amendments to TFRS 3 Definition of a Business

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

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

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

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

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

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

Impact of TFRS 16 on the Company's Financial Statements

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

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

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

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

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

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

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

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

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

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

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

2.5. Summary of significant accounting policies

2.5.1. Accounting of revenue and expenses

Sales revenue and financial income

Sales Income

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

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

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

Service Income

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

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

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

Other

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

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

Other revenue and expenses are recognised on accrual basis.

2.5.2. Related Parties

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

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

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

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

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

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

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

2.5.2. Related parties (*cont'd*)

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

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

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

2.5.3. *Property, plant and equipment*

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

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

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

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

2.5.3. Property, plant and equipment (cont'd)

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

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

2.5.4. Intangible assets

Intangible assets acquired separately

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

2.5.5. Investments accounted for by using equity method

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

2.5.6. Financial instruments

Financial assets

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

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

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

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

2. **Basis of presentation of the financial statements** (*cont'd*)
- 2.5. **Summary of significant accounting policies** (*cont'd*)
- 2.5.6. **Financial instruments** (*cont'd*)

Financial assets (*cont'd*)

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

Financial assets at fair value through profit or loss

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

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

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

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

- 2. **Basis of presentation of the financial statements** (*cont'd*)
- 2.5. **Summary of significant accounting policies** (*cont'd*)
- 2.5.6. **Financial instruments** (*cont'd*)

Financial assets measured at amortised cost

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

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

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

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

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

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

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

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

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

2.5.6. *Financial instruments (cont'd)*

Impairment

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

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

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

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

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

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

Recognition and derecognition of financial assets

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

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

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

2. **Basis of presentation of the financial statements** (*cont'd*)
- 2.5. **Summary of significant accounting policies** (*cont'd*)
- 2.5.6. **Financial instruments** (*cont'd*)

Recognition and derecognition of financial assets (*cont'd*)

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

Financial liabilities

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

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

- (a) Financial liabilities at fair value through profit or loss: Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.
- (b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies. If a transfer does not result in derecognition because the Company has retained substantially all the risks and rewards of ownership of the transferred asset, the Company continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. In subsequent periods, the Company recognises any income on the transferred asset and any expense incurred on the financial liability.
- (c) Contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration is subsequently be measured at fair value with changes recognised in profit or loss.

The Company does not reclassify any financial liability.

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for the Year Ended 31 December 2019**

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

2. Basis of presentation of the financial statements (cont'd)**2.5. Summary of significant accounting policies (cont'd)****2.5.6. Financial instruments (cont'd)****Derivative financial instruments**

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

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

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

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

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

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

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

2.5.7. Effects of Exchange Differences

Foreign Currency Transactions and Balances

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

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

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

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

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

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

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

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

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

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

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

2.5.8. Earnings per Share

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

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

2.5.9. Events after the Reporting Period

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

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

2.5.10. Provisions, Contingent Assets and Liabilities

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

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

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

Onerous contracts

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

Restructuring

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

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

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

- 2. Basis of presentation of the financial statements** (*cont'd*)
- 2.5. Summary of significant accounting policies** (*cont'd*)
- 2.5.10. Provisions Contingent Assets and Liabilities** (*cont'd*)

Warranties

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

2.5.11. Segment Reporting

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

2.5.12. Income Tax

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

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

Current tax

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

Deferred tax

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

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

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

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

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

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

2.5.12. Income Tax (*cont'd*)

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

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

Current and deferred tax for the period

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

2.5.13. Employee Benefits

Termination and retirement benefits:

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

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

Profit-sharing and bonus plans

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

2.5.14. Statement of Cash Flows

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

2.5.15. Capital and Dividends

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

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

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

3 Cash and cash equivalents

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

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

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

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

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

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

31 December 2019				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
T. Halk Bankası A.Ş.	11.00%-11.75%	1 January 2020-3 March 2020	TL	97,152,042
Total				97,152,042
31 December 2018				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
T. Halk Bankası A.Ş.	23.00%	2 January 2019	TL	8,845,570
T. Halk Bankası A.Ş.	5.50%	21 March 2019	USD	52,696,202
Total				61,541,772

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2019**

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

4 Financial investments**Short-term financial investments**

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

Financial assets at fair value through profit or loss

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

Long-term financial investments

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

Financial assets at fair value through other comprehensive income

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

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

⁽²⁾ Stated at cost value in financial statements.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

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

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

5 Related party disclosures

Receivables from related parties and payables to related parties

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2019**

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

5 Related party disclosures (cont’d)**Transactions with related parties**

Transactions with related parties for the periods ended 31 December 2019 and 31 December 2018 are as follows:

Income from related parties

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2019**

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

5 Related party disclosures (cont'd)**Transactions with related parties (cont'd)****Payables to related parties**

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

Benefits provided to key management

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2019**

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

6 Trade receivables and payables**Trade receivables**

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

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

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

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

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

Trade payables

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

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

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

7 Borrowings

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

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

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

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

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

8 Other non-current assets

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

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
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(Amounts are expressed in full Turkish Lira ("TL") unless otherwise stated)

9 Other receivables and payables**Other receivables**

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

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

- (1) It comprises the Company's cash collaterals given to Takasbank for trading in futures and options markets and other markets.
- (2) It comprises the Company's cash collaterals given to Takasbank for trading on the Share market.
- (3) It comprises the Company's cash collaterals given to Takasbank for trading on the Borrowing instruments market.
- (4) It comprises the Company's cash collaterals given to liquidity suppliers for leveraged trading transactions.

Other payables

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

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

10 Prepaid expenses

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

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

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

11 Property, plant and equipment

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

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
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(Amounts are expressed in full Turkish Lira ("TL") unless otherwise stated)

12 Intangible assets

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

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

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

13 Right-of-use Assets and Lease Payables

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

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

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

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

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

14 Provisions, contingent assets and liabilities

Other short-term provisions

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

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

Other off-balance sheet liabilities

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

Letters of guarantee

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

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

Other off-balance sheet liabilities

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
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14 Provisions, contingent assets and liabilities (cont'd)**Other off-balance sheet liabilities (cont'd)**

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

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

Lawsuits

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

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

15 Provisions related to employee benefits

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

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

Provision for unused vacation

Provision for unused vacations is the total undiscounted liability amount corresponding to the days of leave entitled but not yet used by all employees. The movements of provision for the unused vacation in the accounting periods ended 31 December 2019 and 31 December 2018 are as follows:

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

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

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15 Provisions related to employee benefits (cont'd)

Provision for personnel dividend premium

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

Termination and retirement benefits

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

Under TFRS, actuarial calculation is required to calculate the Company's liabilities. The Company calculated the provision for termination and retirement benefits based on the Company's experience in completing employee service term and entitlement to severance pay using the "Projection Method" in prior periods and recognized it in the accompanying financial statements. Provision for termination and retirement benefits has been calculated according to the net present value of future liabilities due to retirement of all employees. Accordingly, the actuarial assumptions used to calculate the liability as of 31 December 2019 and 31 December 2018 are as follows:

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

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

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

16 Tax assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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16 Tax assets and liabilities (cont'd)

A reconciliation illustrates the differences between the total tax provision and the amount calculated by applying the legal tax rate to the profit before tax of the periods ended 31 December 2019 and 31 December 2018.

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

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

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

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

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

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

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

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

17 Shareholders' equity

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

Restricted reserves appropriated from profit

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

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

Revaluation and reclassification gains (securities increment value fund)

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

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17 Shareholders' equity (*cont'd*)**Other earnings**

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

Prior years' profit

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

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Revenue and cost of sales

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

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

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

19 General administrative and marketing expenses

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

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

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

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

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20 Expenses by nature

The Company has classified the expenses in the accompanying financial statements on the basis of function. Depreciation expenses and amortization amounts incurred during the period amount to TL 3,534,879 in the year ended 31 December 2019 (31 December 2018: TL 1,264,382). In the year ended 31 December 2019, the provision for severance pay expense is TL 609,920, the provision for unused vacation expense is TL 411,191 TL (31 December 2018: TL 429,901 provision for severance pay expense, TL 226,491 provision for unused vacation expense).

21 Other income and expenses from operating activities

Other income and expenses from operation activities for the years ended 31 December 2019 and 31 December 2018 are as follows:

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

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

⁽²⁾ It comprises dividend income on corporate portfolio.

⁽³⁾ The amount of TL 450 is received as grant from treasury for SSI payments. (31 December 2018: TL 24,476).

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

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

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

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22 Finance income and expenses

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

<i>Finance income</i>	1 January – 31 December 2019	1 January – 31 December 2018
Interest income on time deposits	17,215,986	61,627,840
Interest income on reverse repurchase agreements	47,292,646	24,979,516
Fixed yield security redemption, coupon and rediscount income	2,200,848	2,246,235
Futures and options market and other guarantees interest income	4,515,558	1,036,871
Takasbank money market interest income	21,858,814	528,849
Derivative income	16,581,078	40,081,621
Foreign exchange gains	11,124,362	16,682,712
Valuation differences of stocks	22,829,749	-
Other	120,223	150,413
Total	143,739,264	147,334,057
<i>Finance expenses</i>	1 January – 31 December 2019	1 January – 31 December 2018
Takasbank borrowing and credit interest expenses	10,050,114	62,998,039
Commercial paper interest expenses	35,332,425	30,081,234
Interest expense on repurchase agreements	34,048,064	23,121,527
Foreign exchange loss	9,502,987	13,547,634
Valuation differences of stocks	-	2,019,732
Letter of guarantee commissions	791,805	2,082,475
Other	364	27,388
Total	89,725,759	133,878,029

23 Nature and level of risks arising from financial instruments

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

23.1 Credit risk

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

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

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

23.1 Credit risk (cont'd)

Credit risks exposed by types of financial instruments:

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

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

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

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

(1) Receivables from reverse repo transactions amounting to TL 27,981,023 stated under cash and cash equivalents are included.

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

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

23.2 Liquidity risk

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

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

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

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

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

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

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

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

23.3 Market risk

Foreign currency risk

The assets denominated in foreign currency of the Company expose to foreign currency risk, due to changes between currency rate at transaction date and at end of the reporting date, while translating the assets denominated in foreign currency. As of 31 December 2019 and 31 December 2018, the Company's foreign currency position is as follows:

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

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

23.3 Market risk (cont'd)

Foreign currency risk (cont'd)

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

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

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

23.3 Market risk (cont'd)

Foreign currency sensitivity analysis

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

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

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

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

23.3 Market risk (cont'd)

Price risk

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

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

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

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

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

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

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

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

23.3 Market risk (*cont'd*)

Interest rate risk

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

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

Interest risk position table

Stocks are not included in financial investments.

The Company's debt securities classified as financial assets at fair value through profit/loss, are exposed to price risk depending upon interest rate changes in the market. Based on the analysis calculated by the Company, if the interest rate for TL were increased or decreased by 1% holding all other factors constant, the effect on the fair value of fixed income financial assets and net profit/loss and the effect on equity for the period ended as at 31 December 2019 is detailed in the table below. The sensitivity analysis is applied on the same basis also in 2018.

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

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

23.4 Capital management

As of 31 December 2019 and 31 December 2018, the minimum liability for shareholders' equity that the Company should possess shall be TL 27,453,733 and TL 26,209,815 respectively since the Company is defined as "Entity with Broad Authority" in the scope of the Communiqué 34.

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

a) Non-current assets;

1) Property, plant and equipment (net),

2) Intangible assets (net),

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

4) Other non-current assets,

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

The Company's capital base is TL 213,667,772 as of 31 December 2019 (31 December 2018: TL 146,181,966). The base of adequacy cannot be less than the items stated below.

a) Minimum capital corresponding the license obtained,

b) Risk provision,

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

As of 31 December 2019, the capital adequacy base of the Company is higher than the abovementioned items.

Risk provision

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

As of 31 December 2019 and 31 December 2018, the risk provision amounts calculated in accordance with the Communiqué: V, No: 34 are as follows:

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

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24 Financial instruments

Fair value disclosures

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

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

Classification of fair value measurement

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

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

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

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

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

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

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

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24 Financial instruments (cont'd)

Fair value disclosures (cont'd)

Classification of fair value measurement (cont'd)

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

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

As of 31 December 2019 and 31 December 2018, the Company's Borsa İstanbul associate rate is 0.377%. The Company holds 159,711 shares with nominal value of TL 15,971,094. In the current period, the relevant shares are valued with price per share that is determined in the 15 January 2018 dated and 2018/6 numbered meeting of Borsa İstanbul, and the valuation effect is recognized under equity in financial statements.

25 Non-current assets held for sale

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

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

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

26 Other matters

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

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

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

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

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26 Other matters (cont’d)

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

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

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

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

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

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

27 Events after the reporting period

None.



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