

SMART RECOMMENDATIONS TRANSFORM LIVES



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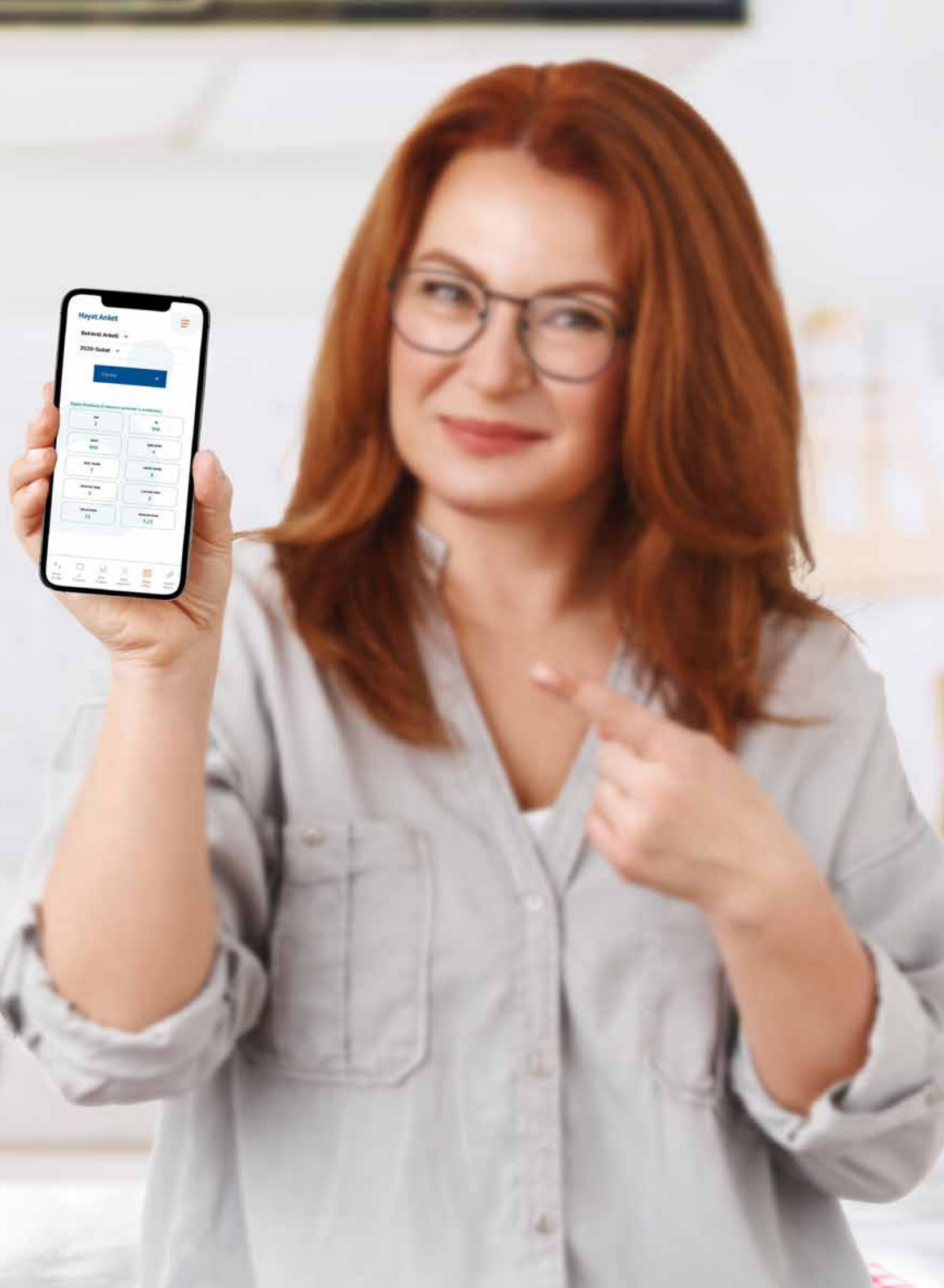
RECOMMENDATIONS SHAPE OUR LIVES

In almost every aspect of our lives, we ask for guidance and recommendations from our trusted friends, families, and colleagues. The recommendations from our network help us to make our decisions more knowledgeably and confidently.

As a friend to investors, Halk Invest launched the Smart Recommendation System. The Smart Recommendation System provides informed guidance to our clients – who we consider part of our family – on an easily accessible platform. Inspired by our esteemed clients, we aim to add even more value to their investments.

AS TRUSTWORTHY AS A MOTHER'S RECOMMENDATION

The Smart Recommendation System provides useful content for Halk Invest clients as they make investment decisions. While communicating its knowledge to its users, the System continues to learn every day, developing strategies, analyzing results and demonstrating company performances.





AS COMPREHENSIVE AS A FATHER'S RECOMMENDATION

For instance, Smart Charts feature detailed analyses, examining the stocks that stand out in technical indicators, for stocks that are expected to be traded in volume, and guiding stocks' negative or positive evaluations. Smart Charts provide information whenever it is needed.





Yatırım Danışmanlığı

66

Toplam Öneri Sayısı
225



66

Gerçekleşen Öneri
225

Açık Pozisyonlar

Kapalı Pozisyonlar

Açık Pozisyonlar

EMİTİMANYÖN.	TVS. GÖKD %	İY. STOP ZL	U. ANA EMİR %	U. HEDF %
VAKBN AI 50	4.03	0.00	0.24	
F_XU0301 020 AI 50	1227	0.00	-0.38	

- Home
- YD
- ABG
- Güne
- Hızlı
- İşlevi

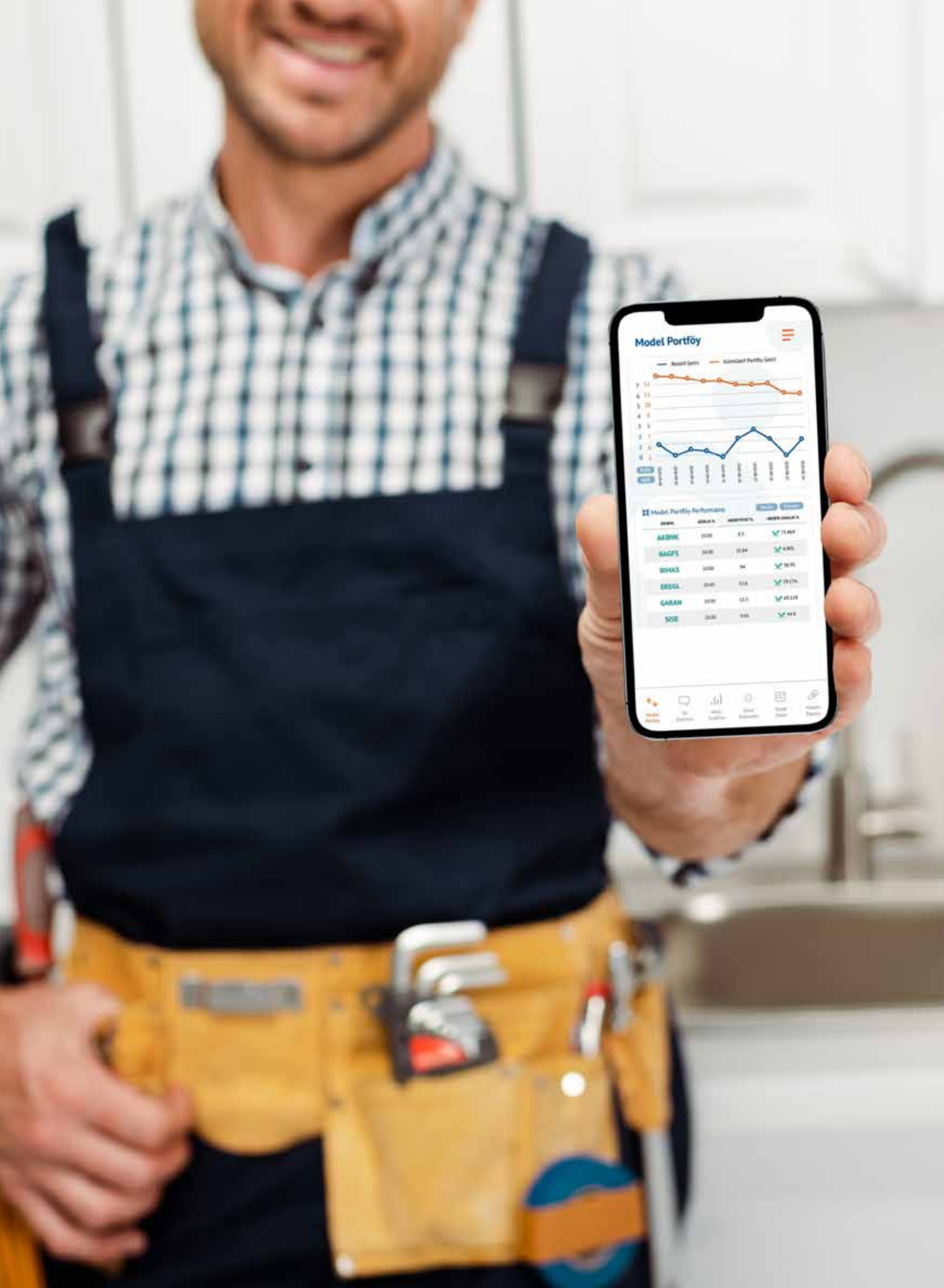


AS RELIABLE AS A FRIEND'S RECOMMENDATION

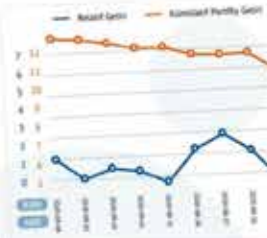
It is said that “the friend in need is a friend indeed.” At Halk Invest, we enhanced the Smart Recommendation System for our clients, supported it with innovations, and equipped it with reliable analyses.

AS METICULOUS AS AN EXPERT'S RECOMMENDATION

The Model Portfolio module provides expert information on the stocks covered by the research. Within the scope of the Model Portfolio, current prices, entry dates, and the proportion of the stocks included in the 2020 model are presented.



Model Portföy



Model Portföy Performansı

SEMBOL	SEMBOL ADI	SEMBOL FİYAT	SEMBOL DEĞERİ
AIBNK	2000	3.5	7.000
BAGFS	2000	15.84	31.680
BHASS	2000	54	108.000
EREG	2000	17.8	35.600
GARAN	2000	55.5	111.000
ISCE	2000	100	200.000

- Model Portföy
- Yeni
- Analiz
- Yeni
- Yeni
- Yeni
- Yeni

AS CONSTRUCTIVE AS A TEACHER'S RECOMMENDATION

With the “Start the Day” module, investors can make their own decisions, armed with strategies to ensure a positive start to the day. The module also enables investors to view previous strategies and recommendations, as well as the latest articles.

Güne Başlarken

08/09/2020

08/09/2020

Günün Sözü :

"Hayattan bir şey öğrendiysem o da şudur, herkes her şeyin farkında ve kimse hiçbir şeyi yanlışlıkla yapmadı."

Yeni Gelen Sinyaller (Başarı oranları uygulama için bir gösterge niteliğindedir) :

↑ AI EGYO 1,79TL %75
ISFIN 3,79TL %89
TRGYO 3,49TL %83
SASA 15,52 TL %80
XU100 1092,83 %83

XU100 :

Piyasa görünümü sona erdi. Artık piyasanın gücünü ölçeceğimiz trende girdik. Grafikte de yüksek başarı oranlı bir alım sinyali alındı. Açılışta yüksek iştahlı alımları beklemesekte piyasa gücünü göstereceği bir gün olacak. 1089 stop/satım kabul edilerek alımlar 1094 üzerinde yapılabilir. Acağında

Model
Portfolyo

10
Oyunlar

10
Güncelleme

10
Güne Başlarken

10
Fiyat Akışı

10
Maliyet

Halk Invest in Brief

BROKERAGE ACTIVITIES WITH EFFECTIVE DISTRIBUTION CHANNELS

Establishment

1997

Initial Operation

1998

Number of
Employees

138

Average Age of
Employees

37

Employee
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.

As a subsidiary of Türkiye Halk Bankası, Halk Invest conducts brokerage activities with seven branches in Ankara, Izmir, Adana, Antalya, Bursa, Denizli and Samsun, more than 1,000 Halkbank branches within the scope of order transmission agreements executed with Türkiye Halk Bankası A.Ş. and Türkiye Emlak Katılım Bankası A.Ş., and effective alternative distribution channels.

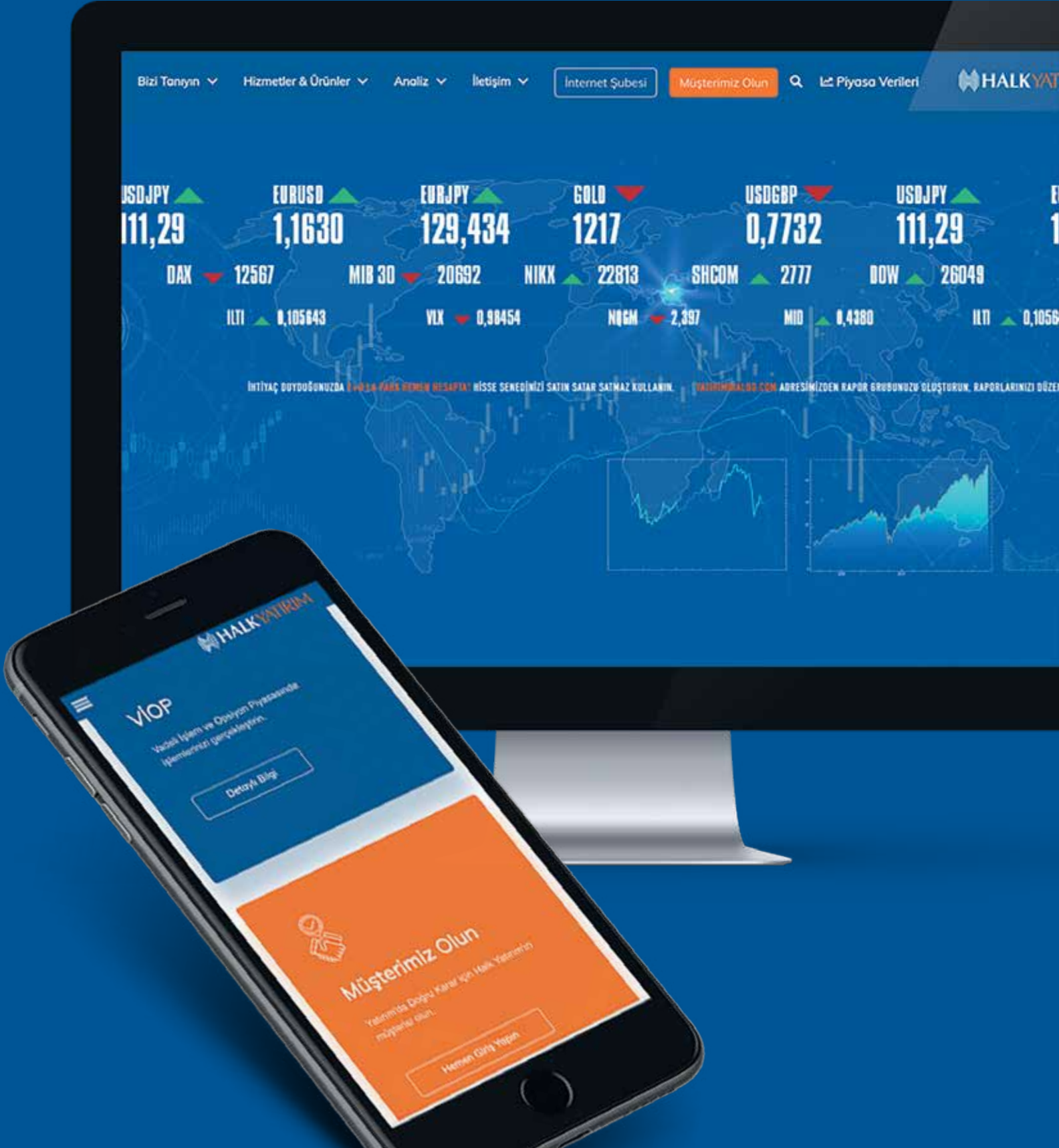
Halk Invest's mission is to contribute to the distribution of capital to the societal base by offering capital markets services swiftly, safely, and at high quality, in line with its next-generation investment banking approach.

Achieving a broad customer base thanks to Halkbank's widespread distribution network, Halk Invest provides high quality and simple investment experience to its customers with its sound technological infrastructure. Halk Invest steers the future with the principle of "A right decision today is the gain for the future."

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

- Trading brokerage,
- Portfolio brokerage,
- 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 the corporate finance and brokerage market that covers public offerings, debt instruments, sukuk issues, and company M&A services. Halk Invest ranks among the top investment firms in terms of key indicators such as equity capital, transaction volume, and asset size.



Initiatives of Halk Invest

CONFIDENCE BUILT WITH THE FIRSTS

A product of Halk Invest's sound technological infrastructure, the Smart Recommendation System features new trading recommendations, strategies, Smart Charts, BIST 30 firm performances and, more.

2007

First Public Offering

This public offering, which is the first transaction in which Halk Invest took place as the co-leader of the consortium, was the fourth largest public offering in the history of the Turkish Capital Markets.

2011

Corporate Finance - First Debt Instrument Issue

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

2012

Corporate Finance - First M&A

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

2013

Forex Trading Activities

Halk Invest began Forex trading activities in 2013.

First Outlook Report and Investor Conference

Halk Invest presented its Outlook Report where it shared its evaluations and predictions about the economy at the first "Investor Conference" it organized.

2014

First Sukuk Issue

The first sukuk issue for Kuveyt Türk Participation Bank.

2016

First Bond Issue

Issuing its first commercial paper, Halk Invest borrowed from capital markets with the goal of resource diversification.

2017

Turkey's First Agricultural Commodities Sukuk Issue

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

Turkey's First Real Estate Investment Trust Sukuk Issue

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

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.

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 Coupled Halkbank Bond - a first in Turkey - and the TLREF Indexed and Dynamic Additional Return product, also a first in our country.

2020

First Issuance Featuring a Committed Line (Irrevocable Guarantee by Issuer)

On March 25, 2020, Halk Invest issued a sukuk worth TL 85 million for Gbretaş, Turkey's first producer of phosphate and compound fertilizers. Within the scope of the sukuk, the asset portfolio will be chemical fertilizer at the rate of 120% of the issued amount and will feature an underlying asset and a Committed Line. The transaction is based on a management contract and sale/purchase agreement. Providing a secondary safety mechanism to investors, this transaction is the first sukuk issue featuring a Committed Line in the market.

Smart Recommendation System

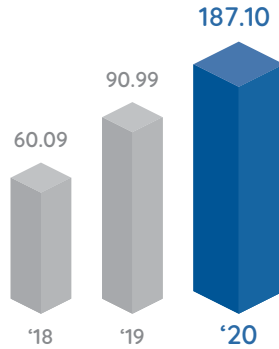
The Smart Recommendation System (SRS) was launched. Featuring all financial market information, the SRS offers financial market information, analyses, and modules to assist Halk Invest customers in making investment decisions.

Major Indicators

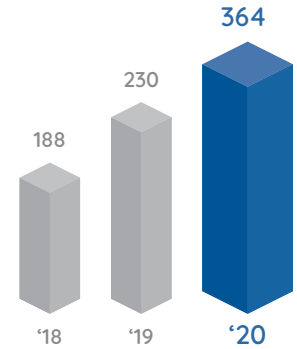
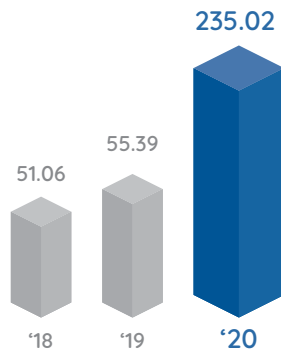
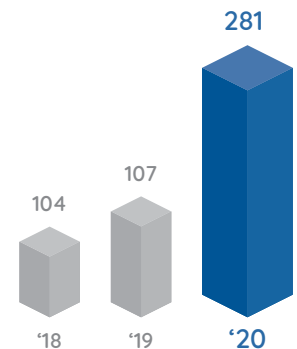
SOLID FINANCIAL
PERFORMANCE

Halk Invest increased its service revenues by 161.9% in 2020 compared to the previous year in addition to a 58.2% increase in shareholders' equity and 105.6% in the net profit.

Net Income (TL Million)

105.6% Increase

Shareholders' Equity (TL Million)

58.2% IncreaseStock and Derivative Instruments (VIOP)
Commission Revenue (TL Million)**324.3%** IncreaseTotal Service Revenue
(TL Million)**161.9%** Increase

Balance Sheet Items (TL)

Assets	31.12.2020	31.12.2019
Cash and Cash Equivalents	263,972,609	147,414,391
Trade Receivables	295,216,440	137,280,436
Total Assets	661,752,696	378,879,790
Liabilities	31.12.2020	31.12.2019
Payables	-	-
Trade Payables	260,181,449	124,137,054
Shareholders' Equity	364,243,968	230,176,512
Net Income	187,095,754	90,984,244
Total Liabilities and Shareholders' Equity	661,752,696	378,879,790

Income Statement Items (TL)

	31.12.2020	31.12.2019
Pre-Tax Profit/(Loss)	240,232,946	109,746,762
Tax	53,137,192	18,762,518
Net Profit/(Loss) for the Period	187,095,754	90,984,244

Financial Ratios

Liquidity Ratios	31.12.2020	31.12.2019
Current Ratio (Current Assets/Current Liabilities)	219%	252%
Cash Ratio (Liquid Assets/Current Liabilities)	90%	102%
Financial Structure Ratios	31.12.2020	31.12.2019
(Current Liabilities+Long-Term Liabilities)/Total Assets	45%	39%
Average Shareholders' Equity/Total Assets	45%	55%
Profitability Ratios	31.12.2020	31.12.2019
Net Profit/Assets	28%	24%
Net Profit/Average Shareholders' Equity	63%	44%
Shareholders' Equity (TL Million)	31.12.2020	31.12.2019
Shareholders' Equity	364	230

Halkbank in Brief

A DEEP-ROOTED, LEADING AND RESPECTED BRAND

Total Number of Branches

1,013

Total Number of ATMs

4,060

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 82 years.

Rendering an unparalleled banking experience to its customers with 1,007 domestic branch locations, six overseas branches, one country office, three overseas representative offices, 4,060 ATMs, Telephone and Internet Banking channels, and Mobile Banking applications as of the end of 2020, 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 days and bad days alike with all of its financing facilities as its raison d'être. Increasing its SME lending market share to 21.6% and allocating 43% of its total cash loans to SMEs, Halkbank continues to be the biggest supporter of the Turkish economy.

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HALKBANK

HALKBANK

HALKBANK

Capital and Shareholding Structure

DRIVEN BY A SOLID SHAREHOLDING STRUCTURE

Halk Invest, a 99.96%-owned subsidiary of Halkbank, has a total paid-in capital of TL 104 million.*

Other
TL 41,600.10

0.04%

Halkbank Group A
TL 46,800,000

45%

Total
TL 104 Million**

Halkbank Group B
TL 57,158,399.90

54.96%

* Pursuant to the Board of Directors resolution dated 08.03.2021 and numbered 2021/16, the "Other" shares have changed as follows and such change has been registered in the Shareholders' Stock Register. Following the change, Halk Yatırım Menkul Değerler A.Ş. became a one-shareholder company.

** Increasing the paid-in capital of TL 104 million by TL 46 million to TL 150 million will be discussed at the Annual Ordinary General Assembly dated 30.03.2021.

Milestones

INDUSTRY LEADER IN 2020

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
- Trading activities (FX)

2014

- First Sukuk Issuance and leadership with 40% market share
- Corporate identity creation

2015

- Leadership in Sukuk issues with 68% market share
- Donation to Diyarbakır Yıllarca Halkbank Şehit Haşim Türkoğlu Primary School
- Halk Invest Memorial Forest was established
- 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 AA (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 (TMO-Agricultural Commodities Sukuk Issue)
- Bonds & Loans-Local Bond Transaction (Halkbank-Subordinated Securities First Prize)
- + IFN "Turkey's Best Islamic Finance Transaction Award"-Turkish Grain Board ("TMO") Agricultural Commodities Sukuk Issue

2019

- 110 debt instruments and sukuk issues during the year
- TLREF Issues
- Bonds & Loans-Local Currency Bond/Sukuk Deal of the Year First Prize-Turkish Grain Board ("TMO") Agricultural Commodities Sukuk Issue
- Bonds & Loans-Turkey's Best Islamic Finance Transaction Award First Prize-Turkish Grain Board ("TMO") Agricultural Commodities Sukuk Issue
- Bonds & Loans-Real Estate Finance Deal of the Year First Prize-Halk Gayrimenkul Yatırım Ortaklığı A.Ş. ("Halk REIT") Management Contract-Based Sukuk Issue
- Bonds & Loans-Structured Bond Deal of the Year Second Prize-Halk Gayrimenkul Yatırım Ortaklığı A.Ş. ("Halk REIT") Management Contract-Based Sukuk Issue
- TCMA-Private Sector Debt Instrument Issue and Sales Leader Award

2020

- 98 Debt instruments and sukuk issues intermediated during the year
- BIST TLREF issues
- Bonds & Loans: Turkey's Best Islamic Finance Transaction Award First Prize-(Turkcell Superonline-Management Contract-Based Sukuk Issue)
- Bonds & Loans: Real Estate Finance Deal of the Year (Sukuk) (Emlak Konut Gayrimenkul Yatırım Ortaklığı (EKGYO) Management Contract-Based Sukuk Issue First Prize and Halk REIT Management Contract-Based Sukuk Issue Second Prize)
- Bonds & Loans: Real Estate Finance Deal of the Year (Bond) (EKGYO-Conventional Bond Third Prize)
- Bonds & Loans: Structured Bond Deal of the Year (Turkcell Superonline-Management Contract-Based Sukuk Issue Third Prize)
- + IFN: World's Best Islamic Finance Transaction Award (EKGYO-Management Contract-Based Sukuk Issue)

Developments in 2020

INNOVATIONS FOR THE CONVENIENCE OF INVESTORS

Halk Invest was recognized at the IFN Awards 2019 with the World's Sukuk Issuance of the Year award, for the Company's management contract-based sukuk issuance dated February 26, 2019, and worth TL 250 million, for Emlak Konut Gayrimenkul Yatırım Ortaklığı ("Emlak REIT").

Total Issuance

19.1
TL Billion

Market Share

9.57%

TL 19.1 Billion Issue

Halk Invest intermediated 98 debt instrument and sukuk issues in 2020. With a TL 19,063 million issue size, Halk Invest completed 2020 as the market leader, with a market share of 9.57%.

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 2020, the Company offered its brokerage services to Halkbank, Halk Leasing, Halk REIT, Turkcell Superonline, Emlak Konut REIT, Kayseri Şeker, Gübretaş and Pasha Investment Bank.

IFN "World's Best Islamic Finance Transaction Award"

At the Awards Ceremony held in Dubai on March 8, 2020, held by the Islamic Finance News (IFN) – the Bloomberg of the Islamic world and the world's leading Islamic news provider – Halk Invest was deemed worthy of the IFN Awards-World's Best Islamic Finance Transaction Award, for its management contract-based sukuk issuance dated February 26, 2019, worth TL 250 million, for Emlak Konut Gayrimenkul Yatırım Ortaklığı ("Emlak Konut").

Five Awards from Bonds & Loans

The Sukuk al Wakalah transaction received first place in the Real Estate Finance deal of the Year at the 2020 Bond & Loans Awards.

The transaction was completed in February 2019 with a size of TL 250 million; Halk Invest was the restructuring and sales advisor, Halk VKŞ participated as the issuer company, and Emlak Konut REIT participated as the fund user/source institution for the Sukuk al Wakalah transaction. In addition, the conventional bond transaction completed in July 2019 with a size of TL 100 million, in which Emlak Konut REIT was the issuer and Halk Invest participated as the restructuring and sales consultant, received third place in the same category.

The Sukuk al Wakalah transaction, completed in June 2019 with a size of TL 75 million, in which Halk Invest was the restructuring and sales advisor and Turkcell Superonline participated as the fund user/source institution, received first place in the "Islamic Finance Deal of the Year" category and third place in the "Corporate Bond Deal of the Year" category at the 2020 Bond & Loans Awards.

And last, the Sukuk al Wakalah transaction, completed in August 2019 with a size of TL 205 million, in which Halk Invest was the restructuring and sales advisor, Halk VKŞ participated as the issuer company, and Halk REIT participated as the fund user/source institution, received second place in the "Real Estate Finance deal of the Year" category at the 2020 Bond & Loans Awards.

Smart Recommendation System

The Smart Recommendation System (SRS), a mobile app via which users can access new transaction recommendations, strategies, Smart Charts, BIST 30 firm performances, and more, was launched in 2020. With the SRS, our investors can track the latest developments via up-to-date news regarding stocks.

Ratings Received from the Credit Rating Agency

As a result of JCR Eurasia Rating's assessment on Halk Yatirim Menkul Değerler A.Ş., the rating agency assigned Halk Invest with the highest-level investment grade and confirmed the Company's 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 assigned as 'BB+', which is the country limit, with a "Negative" outlook.

Long-Term International Foreign Currency Rating	BB+/(Negative outlook)
Long Term International Local Currency Rating	BB+/(Negative outlook)
Long Term National Local Rating	AAA (Trk) /(Stable outlook)
Short-Term International Foreign Currency Rating	B/(Negative outlook)
Short Term International Local Currency Rating	B/(Negative outlook)
Short Term National Local Rating	A-1+(Trk)/(Stable outlook)
Sponsored Support Rating	1
Stand-Alone Rating	A

FAST, RELIABLE AND HIGH-QUALITY SERVICE

As a leading institution in the capital markets, Halk Invest maintained its growth in 2020 through visionary, effective strategies, and the wide distribution channel of Halkbank.

Serdar Sürer
Chairman



Chairman's Message

LEADER OF THE SECTOR WITH INNOVATIVE PRODUCTS

The BIST 100 Index reached 1,477 points as of the end of 2020 following an improvement in financial stability policies and positive growth indicators.

Total Assets
661.8
TL Million

Net Profit
187.1
TL Million

In 2020, experiencing its sharpest contraction since World War II due to the coronavirus pandemic, the global economy displayed a V-shaped recovery with financial and monetary support especially provided by developing countries. We can say that the leading economies are pushing their limits in terms of support. Therefore, as stated in the January IMF report, the global public borrowing ratio rose to 98%, and the budget deficit rate is expected to be around 11.8%. In response to the monetary and financial support provided in developed economies, those economies observed better performances, in parallel with the strong recovery in developing economies such as China and Turkey.

Economic recovery was fast and notable

The proactive and coordinated applications of monetary and financial measures against the challenging conditions in 2020 prompted a fast and notable economic recovery. Throughout this process, the financial markets, loan channels, and the continued healthy operation of companies' cash flow played critical roles in limiting the pandemic's impact. Thus, we observed some economic indicators showing a stronger outlook compared to the pre-pandemic period. On the other hand, the limited supportive effect of demand conditions and international commodity prices due to the global epidemic resulted in an interruption of the expected disinflation. In parallel, interest rate cuts throughout the first half of the year were replaced by tightening policies in the second

half. However, the consistent outlook in financial markets and the supportive impact of the global environment are expected to produce a downward trend in inflation during the upcoming period.

Thanks to the financial stability policies and the improvement in growth indicators, the BIST 100 demonstrated a positive performance, reaching 1,477 at the end of 2020.

With the support of the policies and priorities of the New Economy Program (NEP), I believe that permanent stability will be achieved in 2021 by reducing the fragilities in economic balances.

105.6% increase in net profit

As a leading institution in the capital markets, Halk Invest maintains its growth trajectory with effective strategies and the broad distribution channel of Halkbank. Maintaining its successful performance and its strong position in the market, the Company increased its net profit by 105.6% in 2020, while the average return on equity rose from 44% to 63%. As Halk Invest, we will continue to rapidly expand our market share. We aim to keep making a difference in the sector by introducing innovative products and services while growing in terms of profitability.

We continue to take “leading” steps

On March 25, 2020, Halk Invest issued a sukuk worth TL 85 million for Gübretaş, Turkey’s first producer of phosphate and compound fertilizers. Within the scope of the sukuk, the asset portfolio will be chemical fertilizer at the rate of 120% of the issued amount, and will feature an underlying asset and a Committed Line (Irrevocable Guarantee by Issuer). The transaction is based on a management contract and sale/purchase agreement. Providing a secondary safety mechanism to investors, this transaction is the first sukuk issue featuring a Committed Line in the market.

In addition, Halk Invest performed eight sukuk issues in 2020, amounting to a total of TL 651 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. (Halk VKŞ) participated as the issuer. Furthermore, Emlak Konut REIT, Turkey’s largest real estate investment trust, undertook twelve sukuk issues amounting to a total of TL 1.6 billion, in which Halk VKŞ participated as the issuer and Halk Invest participated as the intermediary. In addition, Halk Invest undertook three sukuk issues in 2020 amounting to TL 325 million. The management contract-based issues featured an asset portfolio that included the fiber internet infrastructure services of Turkcell Superonline, a subsidiary of Turkcell, which is one of the major digital operator companies of Turkey.

Our achievements reap awards

We are proud that our achievements are crowned with awards. The Halk REIT issue undertaken by our Company won the second prize in the “Real Estate Finance Deal of the Year” category at the 2020 Bond & Loans Awards. Additionally, the Sukuk al Wakalah transaction, which was completed in February 2019 with a size of TL 250 million, and in which our Company was the restructuring advisor, Halk VKŞ participated as the issuer company, and Emlak Konut REIT participated as the fund user/source institution, received first place in the “Real

Estate Finance Deal of the Year” category at the 2020 Bond & Loans Awards, and was named the World’s Sukuk Issuance of the Year at the 2019 IFN Awards. As well, the conventional bond transaction, completed in July 2019 with a size of TL 100 million, in which Emlak Konut REIT was the issuer and Halk Invest participated as the restructuring and sales consultant, received third place in the same category. The Sukuk al Wakalah transaction, completed in June 2019 with a size of TL 75 million, in which our Company was the restructuring and sales advisor and Turkcell Superonline participated as the fund user/source institution, received first place in the “Islamic Finance Deal of the Year” category and third place in the “Corporate Bond Deal of the Year” category at the 2020 Bond & Loans Awards. Finally, for its management contract-based sukuk issuance dated February 26, 2019, worth TL 250 million for Emlak Konut REIT, Halk Invest was deemed worthy of the World’s Sukuk Issuance of the Year award at the 2019 IFN Awards.

Continuing its success and maintaining its strong position in the sector, Halk Invest’s average return on equity rose from 44% to 63% in 2020, with an increase of 105.6% in net profit.

I am certain that we will continue to be one of the leading companies in the capital markets, and that we will take successful steps towards our goals in 2021, completing the year with the desired results. I would like to extend my gratitude to our main shareholder, Halkbank, and our employees, our esteemed customers, and all our business partners on behalf of our Board of Directors and myself.

Sincerely,

Serdar Sürer
Chairman

Stock and Derivative
Instruments (VIOP)
Commission Revenue

235
TL Million

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.

YUSUF DURAN OCAK

Vice Chairman

Yusuf Duran Ocak was born in Kadirli, Osmaniye, in 1966, and graduated from Gazi University, Faculty of Economics and Administrative Sciences, Department of Public Finance. After serving as Assistant Inspector, Inspector, Deputy Head of the Board of Inspectors, and Department Head at Türkiye Halk Bankası A.Ş., Mr. Ocak was appointed Deputy General Manager of Financial Management and Planning in July 18, 2017. In addition, he serves as the Vice Chairman for the Board of Directors at Halk Yatırım Menkul Değerler A.Ş.

BÜLENT SEZGİN

Board Member-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. Acting as the CEO of the Company as of October 20, 2020, 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. Mr. Erdoğan started his professional career at Türkiye Halk Bankası A.Ş. 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. Since December 2016, Mr. Erdoğan has been a Member of the Board of Directors at Halk Invest. 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.

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 a 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.

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 career 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/Şirnak branch. From 2010 to 2011, he worked at the Marketing and Loan Departments of Gayrettepe Corporate Branch. In 2012, he served as Department Manager at the Corporate Marketing Department. Mr. Usta was appointed as Head of the Cash Management Department in November 2017. He has been working as Head of the Department of Corporate and Commercial Marketing-2 since June 2019. Since October 2018, Mr. Usta has served as a Member of the Board of Directors at Halk Invest.

FİLİZ AVUKAT**Board Member**

Filiz Avukat was born in Adapazarı in 1975. She graduated in 1997 from Istanbul University, Department of Mathematics. She began her professional career at Pamukbank Fatih Branch and served as a customer representative at Gaziosmanpaşa/Istanbul Branch in 2004. She worked as a specialist at the Loan Policies and Project Assessment Department between 2005-2006, a customer representative at Yeni Bayrampaşa Commercial Branch between 2006-2009, Branch Manager at Yeni Bosna Branch between 2009-2012, and Head of Retail Marketing between 2012-2019. She has served as Head of the Department of Retail Marketing since June 2019. Mrs. Avukat is also a Member of the Board of Directors at Halk Invest.



CONTRIBUTING TO THE NATIONAL ECONOMY WITH INNOVATIVE PRODUCTS

While maintaining our strong financial performance in 2020 with high-added-value products and services in the capital markets, we also consolidated the expansion of our market share in corporate finance activities as one of the sector's leading institutions.

Bülent Sezgin
CEO

Message from the CEO

SOLID TECHNOLOGICAL INFRASTRUCTURE, GREATER SUCCESS

Shareholders'
Equity

364.2
TL Million

Total Service
Revenue

281
TL Million

By rapidly adapting to the digitalization era – even more important now, due to the pandemic – we continued to provide investors with uninterrupted services in 2021. Our technological infrastructure supported this adaptation process and our financial performance increased along with our efforts to move our products to digital platforms. In previous years, we had achieved significant digitalization initiatives, featuring in both the App Store and Google Play with five mobile applications. In addition, as one of the sector's leading institutions, we further consolidated our market share in corporate finance and advisory activities.

As we do every year, we continued our achievements in 2020 as well. The Sukuk al Wakalah transaction was completed in February 2019 with a size of TL 250 million. The transaction, in which Halk Invest was the restructuring and sales advisor, Halk VKŞ participated as the issuer company, and Emlak Konut REIT participated as the fund user/source institution, received first place in the "Real Estate Finance Deal of the Year" category at the 2020 Bond & Loans Awards. In addition, the conventional bond transaction, completed in July 2019 with a size of TL 100 million, in which Emlak

Konut REIT was the issuer and Halk Invest participated as the restructuring and sales consultant, received third place in the same category. For the Sukuk al Wakalah transaction completed in June 2019 with a size of TL 75 million, in which Halk Invest was the restructuring and sales advisor and Turkcell Superonline participated as the fund user/source institution, the Company received first place in the "Islamic Finance Deal of the Year" category and third place in the "Corporate Bond Deal of the Year" category at the 2020 Bond & Loans Awards.

The third Sukuk al Wakalah transaction, completed in August 2019 with a size of TL 205 million, in which Halk Invest was the restructuring and sales advisor, Halk VKŞ participated as the issuer company, and Halk REIT participated as the fund user/source institution, received second place in the "Real Estate Finance Deal of the Year" category at the 2020 Bond & Loans Awards.

IFN "World's Best Islamic Finance Transaction Award"

At the Awards Ceremony held in Dubai on March 8, 2020, presented by the Islamic Finance News (IFN), the most prominent news organization in the international Islamic finance sector, Halk Invest was recognized with the World's Best Islamic Finance Transaction Award at the IFN Awards for its management contract-based sukuk issuance dated February 26, 2019, worth TL 250 million for Emlak Konut Gayrimenkul Yatırım Ortaklığı ("Emlak REIT").

As our ever-advancing technological infrastructure enhances the quality of the service we provide to our wide customer portfolio, it also enables around-the-clock transactions from any location.

2020-The First Issue to Feature A Committed Line

On March 25, 2020, Halk Invest issued one sukuk worth TL 85 million for Gübretaş, Turkey's first producer of phosphate and compound fertilizers. Within the scope of the sukuk, the asset portfolio will be chemical fertilizer at the rate of 120% of the issued amount and will feature an underlying asset and Committed Line (Irrevocable Guarantee by Issuer). The transaction is based on a management contract and sale/purchase agreement. Providing a secondary safety mechanism to investors, this transaction is the first debt instrument and sukuk issue featuring a 'Committed Line' in the market.

Strong technological infrastructure

As our ever-advancing technological infrastructure contributes to the service quality provided to our wide customer portfolio, it also allows around-the-clock transactions wherever our clients are located.

Our organizational structure continues to be dynamic in terms of managing investors' expectations. Aiming to provide Halk Invest customers with daily investment advisory recommendations and inform them on investment decisions, we launched the Smart Recommendation System (SRS). The SRS features quantitative analysis reports on stocks and funds created with artificial intelligence, investment advisory recommendations, up-to-date model portfolio recommendations, and modules such as surveys, where general projections can be created. We consider the Smart Recommendation System and our other projects as important elements in reaching our targeted goals. In addition, following the commissioning of these automated products, the increase in the diversity and depth of research unit products and services contributed to investor satisfaction.

By introducing our new matrix-based service channel for order transmission, Halk Trader Mobile, in 2020, we expanded the number of Halk Invest's mobile channels.

In order to improve the order transmission capacity, we increased our order transmission speed in the stock market from 200 orders/second to 400 orders/second.

In 2020, to consolidate our compliances, we implemented technological, procedural, and organizational regulations. Studies were conducted under the supervision of a consultant firm to update all procedures implemented within the institution,

An emergency action center and a disaster center were established to maintain transactional continuity. The IBM storage system, comprised solely of flash disks, was put into use to support main applications. The public offering leadership portal infrastructure, which must be used if our institution acts as a leader in a public offering, was established.

In 2020, to raise our order transmission capacity, we increased order transmission speed from 200 orders/second to 400 orders/second. To provide continuity in order transmission, infrastructural investments and technological architecture restructuring activities were carried out within the scope of the XFront Fast Order Transmission Project. The DLP (Data Loss/Leak Prevention) Project, initiated to consolidate the data safety infrastructure, is ongoing.

Pre-Tax Profit

240.2
TL Million

Message from the CEO

ONLINE TRAINING FOR PERSONAL DEVELOPMENT

At the onset of the pandemic, Halk Invest rapidly adopted a remote working model with a ratio of 60-70%, equipping employees with the necessary technological infrastructure.

Average Return on Equity

63%

Net Profit Increase Ratio

105.6

Taking into consideration Halk Invest's long-term goals, a "disaster center" was established to provide transactional continuity in line with the sustainability approach. The X-Front Project was implemented to provide continuity in order transmission. We also broadened our product and service range to reinforce customer loyalty. Within the scope of infrastructure to be established under the upcoming Electronic Agreement Project Program, steps were taken to accommodate new customer acquisition remotely.

Increasing its profit by 105.6% to TL 187 million, Halk Invest maintained its strong position in the sector in 2020. In the same period, the average return on equity rose from 44% to 63%. As of the end of 2020, our shareholders' equity reached TL 364.2 million.

It must be noted that the most important element of our success is the effective combination of our qualified human resources with our strong infrastructure.

We adapted quickly to working remotely

To protect the health of our personnel during the pandemic, we arranged for our employees to work remotely while maintaining business continuity.

At the onset of the pandemic, Halk Invest rapidly adopted a remote working model with a ratio of 60-70%, equipping employees with the necessary technological infrastructure. Our technological infrastructure facilities and regulative preparations, in process for the last two to three years, played a critical role in our transition to the remote working model.

In this process, we organized online events to motivate employees. These included intensive online training programs designed to enhance employees' professional knowledge, skills, and personal development. We also created new jobs, increasing the number of our personnel by five percent in order to accommodate our expanding workload.

Halk Invest is aware that good corporate governance principles must be thoroughly adopted and integrated for permanence in the medium term. The Company also makes long-term plans with the aim of fulfilling its responsibilities to future generations.

As Halk Invest, we continue to support the Aizanoi archaeological excavations, to carry our historical values into the future. Accordingly, we introduced "ilkborsa.com," which provides a comprehensive stock exchange experience and enables visitors to witness important moments in stock market history, from Aizanoi to the present day.

Technology and infrastructure are our primary focus in 2021

We believe that 2021 will be an exceedingly successful year for Halk Invest. We will continue to contribute to the capital market with products and services that demonstrate the power of our digital transformation.

The IVR project is anticipated to be finalized in 2021 and developed in the coming year with new functions. The renewal of the corporate portal and modernization of the Halk Invest corporate website are focal points. Following the completion of the XFront Project, with the infrastructural works concluded in 2020, all user screens and dashboards are planned to be opened.

The DLP Project, which will enable us to shape the corporate infrastructure architecture in line with data safety, is planned to be completed by 2021.

After the Capital Markets Board of Turkey authorizes intermediary institutions, we aim to complete the Crowdfunding Platform Project, "FonlaBüyüsün," initiated with the aim of being among the firsts in the sector in 2021.

Within the scope of the work initiated for our customer recognition mobile app, we are preparing a new application for an infrastructure that can provide self-service and facilitate customer acquisition. The SoftOTP Project, launched to ensure the security of our customers during the log-in process on the internet and mobile channels and to resolve the issues caused by SMS confirmation, is expected to become effective in the second half of the year. We anticipate that 2021 will be a productive year, one in which we build upon our successes and achieve the goals we set as a company.



The DLP Project, which will allow us to shape the corporate infrastructure architecture in line with data safety, is planned to be completed by 2021.

Placing career and personal development among our priorities, we aim to raise the leaders of the future within the Halk Invest family. In this process, we will maintain a constant focus on Human Resources, Technology, Operational Productivity, and Risk Management.

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

Sincerely,

Bülent Sezgin
CEO

Executive Management

BÜLENT SEZGİN

Board Member-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. Acting as the CEO of the Company as of October 20, 2020, Mr. Sezgin, also serves as a member of the Board of Directors.

EVREN KARABULUT

Deputy General Manager

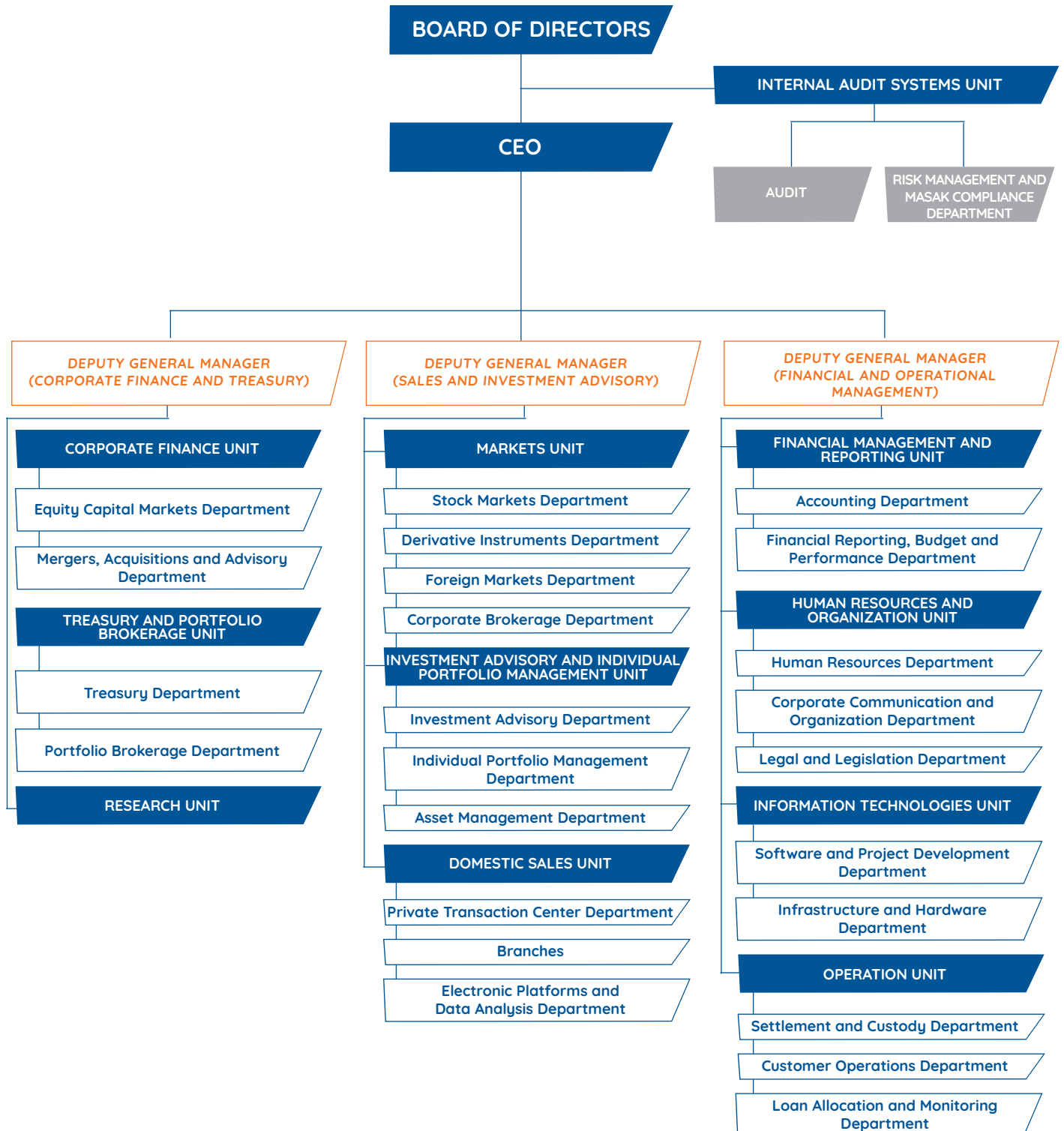
Evren Karabulut was born in 1971 in Balıkesir. Evren Karabulut graduated from Middle East Technical University, Department of Statistics Department in 1995. Subsequently, he started working in the capital markets, taking on various positions within the sector until 2018. Mr. Karabulut was appointed in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

ALİ MUTLU

Deputy General Manager

Ali Mutlu was born in Osmaniye in 1968 and graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Economics. He also received an MBA from Oklahoma State University, Department of Economics. Mr. Mutlu served in various roles in the capital market sector from 1998. He was appointed as the Information Technologies Director at Halk Yatırım Menkul Değerler A.Ş. in 2015 and has served as Deputy General Manager of Financial and Operational Management since November 2020.

Organizational Chart



Macroeconomic Outlook

IMPROVED OUTLOOK WITH NEW INCENTIVES



The coronavirus pandemic appears to have initiated a process that will impact countries' economic and social structures.

In 2020, the world endured a catastrophic global event – and the unpredictable developments of that event. Affecting nearly every region and nation in the world, from South Asia to Italy, the coronavirus pandemic appears to have initiated a process that will impact countries across social and economic structures. As 2020 takes a place in history books as a year that shook the world, 2021 is expected to signal an era in which the world rebalances. The Covid-19 pandemic drove radical change in our daily lives, from business conduct to social behavior, and caused many to reevaluate their personal and social decisions. The general view is that this process will lead to new world order.

Following the first economic shocks of the outbreak, recovery in the economy was faster than expected, thanks to sound financial and monetary practices.

However, following the initial V-shaped recovery period seen in all economies, the gap between developed and developing economies widened, subsequently resulting in similar gaps between countries. While some developed economies appear to be following the initial V-shaped recovery in a more moderate but sustainable manner, some countries may experience another slump. Observations indicate that developing countries – previously a significant force behind global growth – are showing a downward trend in growth. Current projections suggesting that the growth difference between developed and developing economies will narrow indicates that, in the future, developing countries will no longer play a leading role in driving growth.

Due to its limited pandemic restrictions, as well as strong financial and monetary support for the continuity of economic operations in the United States, which is one of the most important economies in the global outlook, it is expected that growth will continue in 2021, particularly following the positive performance of the US economy compared to the Eurozone. However, due to the increasing debt burden, it is expected that the effect of this support will be felt more strongly in the upcoming years.

Experiencing significant concerns due to the increased impact of anti-coronavirus measures, the Eurozone may face disputes regarding budget deficit financing in 2021, as the sustainability of the debt will become more difficult with new incentives. On the other hand, a weak outlook may hold, due to growth concerns, despite the positive performance in inflation and the euro. In this context, 2021 is expected to be a challenging year for the Eurozone in terms of creating inflation and controlling debt.

A year of growth despite challenging conditions

Despite the challenging conditions of 2020, a fast and notable economic recovery occurred due to the proactive and coordinated application of monetary and financial measures. Throughout this process, the financial markets, loan channels, and the continued healthy operation of companies' cash flow played a critical role in mitigating the impact of the pandemic. Thus, some economic indicators showed an even stronger outlook compared to the pre-pandemic period. Currently, the initial V-shaped recovery, in line with the global trend, has been followed by a more moderate outlook. Growing by 4.5% in the first quarter and contracting by 10.3% in the second, the Turkish economy shrank 3.3% in the first half of the year. Growing by 6.3% and 5.9% in the third and fourth quarters, respectively, the Turkish economy grew by 1.8% in 2020.

An adverse economic consequence of the global pandemic was the interruption of the disinflation process predicted in 2020. In parallel with unit cost increases and fluctuations in food prices due to the pandemic, the total demand conditions and the restraining impact of international commodity prices were limited, causing consumer inflation to rise to 14.6%.

In line with the global low-interest environment, more evident now due to the downside risks on global economies created by the pandemic, the significant interest hike by 16 points in 2018 was withdrawn by 12 points in 2019 and by 3.75 points by September 2020. As such, the one-week repo auction interest rate of around 8% in April 2018 returned to a similar level of 8.25% in May. However, in parallel with pandemic-caused shocks, the policy rate cuts were discontinued due to rising inflation and the expected delay in the disinflation process. Later, with the hikes of 200 basis points in September 475 points in November, and another 200 basis points in December, the policy rate rose to 17%. Therefore, the real interest rate, at negative levels since April, once again reached positive levels, rising significantly over its global equivalents.

As 2020 takes a place in history books as a year that shook the globe, 2021 is expected to be the beginning of an era in which the world rebuilds its balances.

The current surplus during the successful "rebalancing" process in 2019 had indicated a positive outlook in relation to the permanent balance target, until the onset of the pandemic; the pandemic's negative impact became apparent in the second quarter of the year. However, because of the disruptive impact of the pandemic in terms of goods trade and service revenue, and the recovery in imports depending on liquidity and loan policies put into practice within the scope of anti-coronavirus measures, the annual current account balance once again dropped, thus increasing the deficit.

Towards an economy where permanent stability is achieved and vulnerabilities are reduced

Following the initial V-shaped recovery after a sharp slowdown in the economy in the second quarter of the year, due to the pandemic, it is expected that the growth rate will reach 5% in 2021, particularly with the low basis provided by the sharp contraction in the second quarter of 2020. On the other hand, it is foreseen that net foreign demand, expected to be negative at the end of the year, will contribute to growth in 2021 and that the New Economy Program will support this forecast.

The annual inflation, which rose to 14.6% as a result of the pandemic, is expected to show another downward trend, thanks to the normalization measures following the pandemic and the contribution of the New Economy Program. The inflation rate is predicted to decline to single digits by the end of the next year.

In addition to the currency shock caused by the pandemic, the current account deficit expanded due to loan and liquidity measures taken to mitigate this shock and the effect of the gold trade on imports. The current account deficit is expected to drop significantly by the end of 2021 as a result of normalization measures and the subsequent rebalancing process, as well as the moderate course of commodity prices, the extremely low level of the real exchange rate, and the NEP support on exports.

Consequently, assuming that the policies and priorities of the NEP will be considered and implemented, we believe that by the end of 2021, we will achieve a national economy in which the new balancing is consolidated, permanent stability is achieved in critical balances, and fragilities are reduced.

Markets

EFFECTIVE SERVICES WITH A BROAD DISTRIBUTION NETWORK

In 2020, the transaction volume of Halk Invest increased to TL 363.155 million. The company rose to 14th place from 18th place among 57 intermediaries and achieved a market share of 2.75%.

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

While the Markets Unit uses Halkbank's broad distribution network effectively; seven investment branches, Stock Market, Derivative Instruments, Foreign Markets, and Corporate Brokerage departments provide services to investors through Halkbank branches in 81 cities across Turkey. The Unit offers traditional brokerage services to private, corporate, and/or collective investment institutions willing to transfer purchase and sales transactions to stock markets.

In parallel with the increased interest and volume towards the stock market in 2020, Halk Invest's transaction volume increased as well. The dominance of Halkbank in the retail channel, increase in the number of mass customers and customers preferring Halk Invest as well as innovations and developments put into practice in terms of service quality contributed to the increase of commission income.

In 2021, it is expected that the interest in Borsa Istanbul Stock Market will continue with public offerings of companies following the recovery in 2020. Halk Invest will play an active part in this process and achieve more productive results.

Stock Markets Transactions

As of the end of 2019, Halk Invest achieved a share transaction volume of TL 78,127 million and ranked 18th among 55 intermediaries. In 2020, the market share of the Company among intermediaries was 1.83% and achieved a transaction volume of TL 363.155 million. The company rose to 14th place from 18th place among 57 intermediaries and achieved a market share of 2.75%. As of the end of 2020, stock trading commission revenue rose 351.1% compared to the same period of the previous year and reached TL 219.08 million.

Margin Trading

Stock loans utilized to the customers against securities collateral rose 13.41% as of the end of 2020 compared to the same period of the previous year and reached TL 62.36 million on a daily basis.

Loan interest revenue generated from margin trading rose 26.18% compared to the same period of the previous year and reached TL 10.77 million. In addition, TL 12.64 million interest revenue consisting of loan and default interest was generated.

In 2020, 202 Credit Committee Decisions were made for 826 limit allocations/increases.

For loan limit demands, the customer must provide collateral to cover the 50% equity ratio of the portfolio value. The customer's current portfolio value must be higher than the loan limit.

Loan limit demands up to TL 2,000,000 are submitted to the credit committee while demands over TL 2,000,000 are approved by the Board of Directors following the approval of the credit committee.

With regard to the 2021 targets of margin trading, a growth of 33% is foreseen in the loan base, compared to the previous year and an increase of 50% is predicted in the loan interest revenues in parallel to rising market interest rates.

Derivative Instruments

As the first public-owned institution that conducted business in trading activities, Halk Invest has shared its technical infrastructure as well as its experience in pricing and liquidity management for Forex products with its investors since 2013.

Customers are able to transmit their orders from the electronic platforms provided to them with no charge via personal computers, smartphones, or tablets and enjoy the advantages provided by the derivative markets.

Following the CMB communiqué issued in 2017, the leverage ratios of 1:100 have been reduced to 1:10 and an initial start limit of TL 50,000 was introduced for new accounts. After this development, the transaction volume and revenues in leveraged trading have contracted in 2018, as they did back in 2017. Furthermore, in special circumstances, the CMB is entitled to limit the 1:10 leverage ratio down to 1:1 based on product pair. Following the excessive volatility in product prices due to the pandemic in 2020, measures were taken to protect the customers and it was decided that only professional investors, whose criteria are determined by the CMB, will trade in this market.

As of the end of 2020, the number of open accounts is 1,638. The total transaction volume achieved is USD 11,589 million.

In 2020, increased contract diversity in the Derivatives Market and the introduction of the evening session, which allows index, gold ounce/USD futures transactions at evening hours, caused the transaction volume to increase.

It is planned to restart foreign market transactions in 2021 and to expand the tradable exchange portfolio to include German and British stocks as well as those traded in other major European stock exchanges.

Halk Invest will continue its activities in 2021 with its larger portfolio in derivatives and leveraged transactions, competitive prices, and its ever-improving technological infrastructure.

Possessing a market share of 1.80% with a transaction volume of TL 103,201 million as of the end of 2020, Halk Invest increased its transaction volume by 108% compared to the same period of the previous year and placed 16th among 64 intermediaries and banks.

Corporate Brokerage

Lately, the companies in Turkey have shifted from money markets to capital markets. The private sector companies who wish to increase their asset quality focus on capital markets. Following the new CMB communiqués, the market has become a platform where companies can borrow more efficiently.

Corporate sales and brokerage activities cover the capital markets corporate investment consultancy services provided to portfolio management companies, collective investment institutions, insurers, private pension companies, retirement funds, foundations and qualified investors, trade brokerage activities, participation in public offerings and private placements, transactions for listed corporations to purchase their own shares within the scope of the buyback communiqué, E-Warehouse Receipt (ELÜS) transactions and other investment services and activities.

The sales of all kinds of securities issued by public or private companies to “qualified investors” and the realization of securities market orders transmitted by “professional customers” for stocks, fixed income securities, derivatives, FX, etc., are carried out in compliance with the relevant legislation.

2020 was a good year in terms of debt instrument and sukuk issues. We mediated TL 19.1 billion worth of transactions with 98 issues. This figure accounts for a market share of 9.57%.

Halk Invest aims to improve its customer portfolio in 2021 with domestic sales and marketing activities. Aiming to maintain its leading position in the debt instruments market by consolidating it further in 2021, Halk Invest will continue operating with the goal to come up with the most suitable solutions to the ever-changing needs of investors.

Foreign Market Transactions

Reporting to the Halk Invest's Markets Unit, the Foreign Markets Department was established in 2019. The department is responsible to provide domestic individual and corporate investors access to stocks and ETFs traded in major exchanges such as Frankfurt, London, and New York. The department received its operating permit and initiated foreign capital market transactions actively in 2020. In the same year, it was decided to work with another intermediary and its trade brokerage activities have been ceased.

It is planned to restart foreign market transactions in 2021 and to expand the tradable exchange portfolio to include German and British stocks as well as those traded in other major European stock exchanges.

Investment Advisory and Individual Portfolio Management

QUALIFIED CAPITAL MARKET INSTRUMENTS

In addition to its information services and personalized analyzes provided to its customers and sales units, Halk Invest introduced the Stock Market League and the Smart Recommendation System (SRS) in 2020 to support financial literacy.

Investment Advisory

The Investment Advisory Department provides services related to all capital market instruments. Department provides 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. Appropriateness Test and Investment Advisory Agreement can be accessed electronically to make it easier for investors to access our services.

In addition to conducting necessary informational activities offered to customers and sales teams regarding qualified capital market products and preparing customized analysis, the department continued its activities in 2020 with two important projects.

The first of these projects, Stock Market League aims 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 processes; 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.

In 2021, efforts will continue to expand the use of the Smart Recommendation System and enrich its content. Studies will also be conducted to enhance the Research, Treasury and Portfolio Brokerage, and Corporate Finance units as well as the Corporate Brokerage, Stock Market, and Derivative Instruments departments and facilitate the access of our customers to these units and departments.

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 portfolio management service designed for individuals and institutions that are offered by expert portfolio managers to manage their savings in line with the management criteria to be determined by themselves.

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 the 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.
- A management fee (over the total portfolio size) and a performance commission (over the benchmark) are charged for the individual Portfolio Management service.

The Individual Portfolio Management service, which commenced in 2019, is provided to qualified individuals and institutions.

In 2020, efforts to improve the software infrastructure continued. Productivity increased with the changes made in the staff and the organization. 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. The service tree was expanded with more collaborations with third-party financial institutions.

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



The Individual Portfolio Management service, which commenced in 2019, is provided to qualified individuals and institutions.

that will satisfy investors in the long term, and to develop new financial instruments and alternative investment solutions by closely following the evolving market and industry dynamics.

Asset Management

The Asset Management Department was established in the last quarter of 2019 and started to provide active services. With the aim to become the center of all sales activities in the entire country, the 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 Department supports Halk Invest's stock and futures activities while assuming an important role in increasing the sales volume in investment funds and Eurobond markets.

In 2021, the Department aims to continue its development with new projects tailored to offer special services to qualified investors only. In addition to these services, Halk Invest and Halkbank seek to establish organizations in 2021 to serve sales networks.

Domestic Sales

INCREASED FINANCIAL LITERACY



In 2020, 93% of the Stock Market transactions were realized through electronic platforms.

In order to provide services anywhere in Turkey, Halk Invest Domestic Sales Unit's organization covers the Branches, the Private Transaction Center, and the Electronic Platforms and Data Analysis Department.

The Unit boasts a wide customer portfolio thanks to its wide distribution network. Additionally, it provides services to investors with branches located in 7 different cities of Turkey and a Private Transaction Center in the Head Office.

As a result of the development of Turkish Capital Markets, Halk Invest continues its sustainable and strong investments, including its developing technological infrastructures.

In this context, in accordance with its Investment Advisory activities, Halk Invest brings a wide range of investors to the markets with its branches and its Private Transaction Center.

Electronic Platforms and Data Analysis Department continue its innovative activities that manage investor expectations at full speed. In 2020, 93% of the Stock Market transactions were realized through electronic platforms. A total of 99% of investors trade on electronic platforms.

The transaction volume of the Stock Market tripled compared to the previous year, while its market share rose from 1.83% to 2.75%. The transaction volume in the Derivatives Market (VIOP) increased by approximately 100% compared to the previous year and the market share has increased from 1.72% to 1.80%.

Halk Invest makes the use of technology effectively to facilitate the access of investors to the markets. Thanks to the strong infrastructure of the internet branch, orders can be sent to the markets quickly and securely.

With Halk Trader Mobile, Halk Invest Mobile, and Halk Invest Trader, Halk Invest brings investors together with mobile applications.

The investors are able to easily perform investment transactions, follow instant data feeds, and access research and analysis reports with these applications. Halk Invest focuses on financial literacy with mobile solutions as well.

Investors can easily use electronic platforms anytime to make good use of their savings. Halk Invest continues to be the smart financial assistant of investors and continues to do all kinds of studies to offer them a good investment experience with next-generation platforms.

Research

CUSTOMER INFO SUPPORT IMPROVED WITH REPORTS

Halk Invest Research Unit provides the Bank and the internal units, branches, and its customers with timely and accurate market data. The Unit is also responsible for following and analyzing trends in global and internal macroeconomic dynamics, making projections regarding the outlook of the economy and financial markets, and providing information support including analysis and forecasts.

The Unit prepares the Daily Bulletin, which includes expectations and predictions regarding financial markets, changes in financial indicators and company news and developments every morning, and the Smart Charts report, which includes short-term analysis and recommendations, while closely tracking the market dynamics, trends, and foreign asset positions. As data is published, the Macro-Economic Strategy Notes that include global and/or macro-economic medium-term predictions and assessments regarding and financial markets, the Company Reports which include investment opinions in line with the financial statements of the companies, and the Sectoral Assessment Reports in which sector data and companies in BIST are evaluated. In line with the dynamic management strategy on a monthly basis, the Halk Invest Model Portfolio Performance Report is provided to monitor the performance of the Model Portfolio, which consists of the stocks selected by Halk Invest based on basic analysis. In relation to the predictability of the global and internal macroeconomic environment, the Outlook Report, which includes comprehensive and medium-term forecasts, is published annually. Additionally, Special Analysis Notes are prepared for important subjects regarding economic and financial dynamics.

In 2020, when the world experienced an unforeseen global issue, Halk Invest Research Unit made a significant contribution to transforming this period into an opportunity for the company by reflecting its accurate and timely analysis and forecasts to its services and products.

In 2020, when the world experienced an unforeseen global issue, Halk Invest Research Unit made a significant contribution to transforming this period into an opportunity for the company by reflecting its accurate and timely analysis and forecasts to its services and products. In this period, when a new world order is being built, it is aimed to offer opportunities in investment recommendation to units, branches, and customers in a timely manner. At this point, the correct analysis of temporary and permanent impacts has been a critical factor in the provision of investment recommendations in a timely manner and gaining a competitive edge in the sector. By assuming a supportive role in the automation of products, it was ensured that the time and resource savings obtained from this process were directed towards more qualified products and services.

Research

REINFORCED RESEARCH CONTRIBUTION



The infographics displaying the highlights of the Economic Analysis reports on macro-dynamics in an easy and explanatory manner continued to be presented through digital platforms.

In 2020, when significant changes occurred in the global economy and the industries, this change was included among the components considered while the stock analysis portfolio continued to be expanded within the scope of the research. Therefore, the stock recommendations are managed more dynamically within the scope of the Model Portfolio. In this context; the Model Portfolio, which offers a real return over BIST on a regular basis, provided 43.4% nominal and 15.3% positive return relative to BIST 100 in 2020.

The goal of focusing on products with high market perception, which is an important element in the success of the research unit, continued in 2020. In addition to the medium-term recommendation system based on basic analysis, the Smart Charts Report, which features short-term analysis and recommendations, became one of the most popular products among investors in 2020.

Company Reports, which include future projections on the main dynamics and the financial indicators of companies as well as investment recommendations, continue to be shared. As part of stock analysis efforts, inside and outside 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.

The infographics displaying the highlights of the Economic Analysis reports on macro-dynamics in an easy and explanatory manner continued to be presented through digital platforms.

The Research Unit continues its analysis and foresight support to Halkbank. The Unit consolidated the research support it provides with opinions and comments on global and domestic financial markets, exclusive opinions on economic balances, industrial developments, and reflections of these to stocks as well as 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. Activated within the framework of meetings, products, and services, as well as market strategy and investment opinions, the interaction with Halk Academy was improved further in 2020.

Significant contributions were made to the Smart Recommendation System (SRS), which was launched in 2020. The SRS reviews and communicates new transaction recommendations, market strategies, Smart Graphics, and up-to-date news about the shares within the scope of the research of the Unit as well as the effect of this news on the stocks. Therefore, the investors are provided with the most recent news and developments.

In 2021, the Research Unit aims to continue to use resources in more efficient and competitive products and services, with the support of the strengthening technological infrastructure. The process of expanding the scope of research will continue in line with this main goal.

The primary targets of the Unit are to consolidate the support provided to customers by increasing the number of products with a higher market perception, expanding the research scope with new company analysis reports, and providing more detailed analysis reports. In addition, it is aimed to continue the industrial review reports, whose scope was extended in 2020 and to consolidate the support provided for the transformation of estimates and predictions into investment recommendations.

In 2021, the Unit aims to improve the consistent success achieved with the Model Portfolio, where research views are transformed into actual investment recommendations. As a digital platform that ensures that the Model Portfolio is monitored more actively by the branches and the customers, the SRS will be developed further in 2021 to provide the maximum benefit to the customers.

In addition, it is aimed to support the efforts to transfer the infographics launched in 2020 to digital platforms in 2021.

Consolidating the interaction with the Bank within the framework of analysis, foresight, and training is among the primary goals.



In 2021, the Research Unit aims to improve the consistent success achieved with the Model Portfolio, where research views are transformed into actual investment recommendations.

Treasury and Portfolio Brokerage

GROWING PORTFOLIO WITH TECHNOLOGICAL IMPROVEMENTS

Introduced in 2018 to meet the urgent cash needs of investors, the T+0 application continued to increase its transaction volume in 2020 as well.

The product was designed in 2020 in line with the needs and demands of investors in domestic and foreign organized and over-the-counter markets. It has contributed to the increase of the transaction volume, especially with the diversification of institutions that provide Eurobond liquidity.

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

Management of Halk Invest's portfolio relates to managing the Company's equity capital. 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 in 2020. 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 Customer 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 to meet the urgent cash needs of investors, the T+0 application continued to increase its transaction volume in 2020 as well.

Infrastructure developments continued in 2020 to ensure that customers can make their cash transfers in the quickest and most reliable way possible, and efforts were carried out to enable cash transfers via internet banking. In addition, investors can now make EFT transactions to another bank account within limits, through Halk Invest's mobile or internet branch.

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 2021, the Treasury Department 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.

In 2021, we aim to use the Turkish Lira Overnight Reference Interest Rate (TLREF) even more within the scope of the financial solutions offered to customers. On the other hand, it is planned to restart debt instrument issues, which have been ceased in 2020, in order to increase the volume of bills/bonds trading via the internet branch. Efforts are also underway for increasing the activity in the Committed Transactions Market of BIST, in parallel with the increasing interest towards interest-free investment funds.

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 Department 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 department adds these instruments to traditional investment portfolios.

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

In 2021, the Portfolio Brokerage Department plans to continue its activities by developing products in domestic and foreign markets in line with the needs and demands of individual/corporate investors. The Department aims to increase liquidity with derivative trading in organized and over-the-counter markets on behalf of the institution.



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Corporate Finance and Advisory

MARKET LEADERSHIP CONSOLIDATED WITH ISSUES



In 2020, Halk Invest undertook a total of 98 transactions amounting to TL 19.1 billion. Of those transactions, 31 were sukuk issues (TL 3.2 billion), while 67 were conventional debt instrument issues (TL 15.9 billion).

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

The Unit 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 2020, the Unit mainly performed debt instrument and sukuk issues in line with developments in financial markets.

In 2020, Halk Invest undertook a total of 98 transactions amounting to TL 19.1 billion. Of those transactions, 31 were sukuk issues (TL 3.2 billion), while 67 were conventional debt instrument issues (TL 15.9 billion). The Company is the market leader, thanks to the issues it undertook in 2018.

TLREF Based Issues

In 2020, Halk Invest issued nine 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.

In addition to conventional products (BISTTLREF Index Return + Fixed Additional Return), Halk Invest offered different product alternatives and high returns to investors with Inflation-Indexed and Real Return Payment Bond Transaction, and the Fixed-Coupon Bond products. To date, 137 TLREF-based debt instruments, with a total value of approximately TL 45.8 billion were issued in the market; Türkiye Halk Bankası A.Ş. realized 13% of these transactions with 21 transactions amounting to TL 5.91 billion through Halk Invest.

Sukuk Issues

In 2020, Halk Invest performed eight sukuk issues amounting to a total of TL 651 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. (Halk VKŞ) participated as the issuer. The Halk REIT deal received second place in the “Real Estate Finance Deal of the Year” category at the 2020 Bond & Loans Awards.

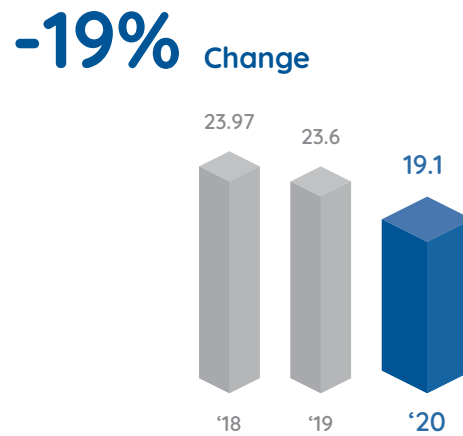
- Emlak Konut REIT, Turkey’s largest real estate investment trust, undertook twelve sukuk issues amounting to a total of TL 1.6 billion in which Halk VKŞ participated as the issuer and Halk Invest participated as the intermediary. The “Sukuk al Wakalah” transaction, completed in February 2019 with a size of TL 250 million, in which Halk Invest was the restructuring and sales advisor, Halk VKŞ participated as the issuer company, and Emlak Konut REIT participated as the fund user/source institution, received first place in the “Real Estate Finance Deal of the Year” at the “2020 Bond & Loans Awards” and the “IFN Awards 2019 - World’s Sukuk Issuance of the Year.”
- Halk Invest undertook three sukuk issues amounting to TL 325 million. The management contract-based issues featured an asset portfolio that included the fiber internet infrastructure services of Turkcell Superonline, a subsidiary of Turkcell, which is one of the major digital operator companies of Turkey. The “Sukuk al Wakalah” transaction, completed in June 2019 with a size of TL 75 million, in which Halk Invest was the restructuring and sales advisor and Turkcell Superonline participated as the fund user/source institution, received first place in the “Islamic Finance Deal of the Year” category at the 2020 Bond & Loans Awards.
- Halk Invest undertook four sukuk issues 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 360 million.

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- Halk Invest made three sukuk issues for PASHA Bank, a bank that engages in corporate and investment banking in Turkey, based on management contracts that include leasing transactions compliant with Islamic finance principles, at the rate of 120% of the issue amount with a total amount of TL 140 million.
- Halk Invest issued a sukuk worth TL 85 million for Gübretaş, Turkey’s first producer of phosphate and compound fertilizers. Within the scope of the sukuk, the asset portfolio will be chemical fertilizer at the rate of 120% of the issued amount and will feature an underlying asset and Committed Line. The transaction is based on a management contract and sale/purchase agreement.

In 2021, the Unit aims to contribute to the growth of the market 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

RELIABLE SERVICE WITH INFRASTRUCTURE INVESTMENTS

The transition to the remote working model, which became more urgent due to the pandemic, was completed in just two weeks for all Halk Invest employees, with an effective remote work infrastructure successfully established.

The Information Technologies Unit develops infrastructure platforms and monitors the latest technological developments in line with the evolving needs of the finance world. The Unit continues activities to provide higher-quality, safer, and faster service to its extensive Halk Invest customer base by investing in the Company's infrastructure.

The Unit is responsible for the planning, establishment, and security of the technological architecture of products and relevant internal processes. In this context, the IT Unit is evaluated in two main fields of activity.

Infrastructure and Hardware Department

The Infrastructure and Hardware Department conducted infrastructure investments and technological architecture studies to provide the continuity of order transmission, which is rising in parallel with the increasing number of Halk Invest clients. For this purpose, efforts such as the X-Front Fast Order Transmission Project, the Dominant Project, the Remote Working VPN Project, the DLP Project, and the establishment of the Emergency Response Center and the Disaster Center were carried out.

- The X-Front Fast Order Transmission Project was launched in 2020 and necessary infrastructural efforts were completed for real environment testing. Following the implementation of the project, it is aimed to increase the order transmission speed and raise transaction continuity rates by replacing the GTP screens used by the sales teams.

- Within the scope of the Dominant Project, conducted by the Bank with its affiliates, an ID management system was established to manage user authorizations and responsibilities from a single channel in the applications used within the organization.
- The transition to the remote working model, which gained urgency in 2020 due to the pandemic, was completed in just two weeks for all Halk Invest employees, and an infrastructure that allows employees to work remotely was established.
- The Emergency Response Center was established in the second quarter of 2020. The hardware works for the Disaster Center, to be established in different locations pursuant to the legislation, were completed and the connection tests were successfully finalized.
- The DLP (Data Loss/Leak Prevention) Project was initiated in 2020 within the scope of information security studies, which are becoming increasingly important. As a sub-project to this major project, the installation of data classification software was concluded. The installation will be completed in different locations by 2021. Within the scope of the Personal Data Protection Law, the installation of data discovery software to be used for scanning data in a digital environment will be initiated after DLP installations.
- Efforts were commenced for the renewal of network devices used in network infrastructure, an important item in the 2021 budget.

Software and Project Development Department

The Software and Project Development Department continued its software and project development activities to maintain its leading position in the sector. In 2020, projects such as the SRS (Smart Recommendation System), electronic

agreements, the Stock Market League Gamification Project, the SoftOTP Project, and the renewal of the Analysis website were conducted.

- The SRS (Smart Recommendation System) Project was introduced for two channels: web and mobile. The SRS application prepared for the web channel is a registered software product and brand of Halk Invest. As of the end of 2020, the software work for 12 modules was completed by the software team at Yıldız Teknopark Davutpaşa Campus. The first phase of SRS mobile software was completed with outsourcing support, and six modules were made available to customers. The software for making new modules available on the web channel through the mobile channel is carried out by the supplier company. It is planned that the SRS web application will be available on the Bank's intranet in 2021. The project for both mobile and web channels will be ongoing in 2021.
- The importance of contactless transactions gained traction in 2020, especially due to the pandemic. Studies were completed to enable Halkbank customers to become Halk Invest clients by signing electronic contracts from Halkbank's virtual and mobile branches. It is planned to finalize the project for both channels in the first quarter of 2021. The Information Technologies Department also initiated a study for customer acquisition through the validation of remote transaction agreements.
- In the Stock Exchange League, which is the Gamification Project initiated in 2019, developments continued in 2020. New functions such as animations and badges, which are gamification dynamics, were introduced to the application. Additionally, Halk Invest reports such as Quantitative Analysis, Score Card, etc. are provided to users free of charge.
- The Halk Invest mobile app uses a double confirmation system. The SoftOTP project was commenced to prevent issues that may occur during SMS verification due to the supplier company. Within the scope of the work planned as the master application, access verification processes from all mobile channels will be provided with push notifications after the user logs in once. The improvement provides greater ease of use and will also eliminate security risks, save on SMS costs and increase service quality.

- The analysis page on the Halk Invest official website is designed as a separate website and all software works were completed. The website is planned to be made available to investors in the second quarter of 2021, following the completion of the penetration test.

In 2021 it is planned to make investments in general information security, compliance with regulations and infrastructure development projects.



Studies were completed to enable Halkbank customers to become Halk Invest clients by signing electronic contracts from Halkbank's virtual and mobile branches. It is planned to finalize the project for both channels in the first quarter of 2021.

Internal Audit Systems

ACTIVITIES COMPLIANT WITH THE MANAGEMENT STRATEGY



Activities of all business units under Halk Invest, including the Head Office and external affiliates, are carried out in compliance with the CMB legislation and other relevant legislation.

Halk Invest's Internal Audit Systems Unit consists of the Audit Department and the Risk Management and MASAK Compliance Department. Audits are conducted regularly by the Unit to ensure that all Halk Invest business units, including the head office and external affiliates, operate in line with the management strategy efficiently, orderly, and in accordance with applicable laws, rules, regulations, and institutional policies.

Audit Department

The internal control and audit activities within the Internal Audit Systems Unit are conducted by the Audit Department and in accordance with the regulations of the CMB. 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 legislation 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.

Risk Management and Masak Compliance Department

The Risk Management Department and MASAK Compliance Department are structured to focus on their 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.

Financial Management and Reporting

REGULAR REPORTING TO THE SENIOR MANAGEMENT

Financial Management and Reporting Unit takes into consideration the expectations of all stakeholders in planning the future of accounting and financial reporting as well as in determining competencies and goals. The Unit provides qualified information regarding the financial status, financial performance, and changes in the financial situation of the Company to the decision-makers in order to be used in their decisions. In this regard, the quality of the reports is increased with the training provided to the employees.

The sustainable operating profitability, strong capital structure, and high liquidity are reflected in the financial reports. The Unit creates permanent value for all stakeholders by transparently providing accurate financial data.

Within the scope of accounting policies, it is ensured that the senior management is informed regularly regarding the realization of budget targets during the year.

The company achieved its budget targets in 2020.

Financial Management and Reporting Unit conducts activities in four main pillars.

- Financial Reporting, Budget, and Performance
- Accounting
- Company Cash Flow Transactions (TL and FX)
- Activities carried out within the scope of Compliance with Corporate Governance Principles

Interaction and coordination with all Units/ Departments of the Company within the framework of Corporate Governance Principles are carried out by the Financial Management and Reporting Unit manager.



The Financial Management and Reporting Unit creates permanent value for all stakeholders by transparently providing accurate financial data.

The Unit is responsible to track and monitor the realization of responsibilities within the scope of the Capital Markets Legislation, including compliance with Corporate Governance Principles and all other issues regarding public disclosure. In this context; interaction and coordination with all Units of the Company are carried out by the Unit.

As the Unit that prepares the balance sheet, it is responsible for issuing the legal reports stipulated by the legislation, ensuring communication with regulatory and supervisory authorities in these processes, and managing relations. In this context, the Unit prepares the documents related to the General Assembly and the Board of Directors meeting that must be submitted for examination.

Financial Management and Reporting

HIGH INTERACTION AND COORDINATION

In 2020, all of the commercial activities that occurred between Halk Invest and our parent company or with the affiliates of the parent company were realized under the prevailing market conditions.

It is responsible for electronically and systematically retaining and managing all kinds of records, documents, forms, invoices, etc. used by different users via the Electronic Document Management program.

The Unit 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. Thanks to the improvements made in business intelligence applications and automation solutions, access to financial reports, in which the Company's budget realizations and sector comparisons are calculated, are provided via the system.

An annual Affiliates Report is issued regarding the Company's relations with parent and affiliate companies as per the provisions of articles 195 and 209 of the Turkish Commercial Code No: 6102.

In the operating year of 2020, the Company did not carry out any legal transactions with our parent company Türkiye Halk Bankası A.Ş. and/or the affiliate companies of the parent company. Also, the Company did not carry out any legal transactions to the benefit of our parent company Türkiye Halk Bankası A.Ş. and/or the affiliate companies of the parent company, following a request by the parent company. There have not been any actions taken or refrained from being taken, to the benefit of Türkiye Halk Bankası A.Ş. or its affiliate companies.

In 2020, all of the commercial activities that occurred between our Company and our parent company or with the affiliates of the parent company were realized under the prevailing market conditions.

Operations

EFFECTIVE RISK MANAGEMENT

The Operation Unit consists of Settlement and Custody, Customer Operation, Loan Allocation, and Monitoring departments. The Unit plays a major role in all projects carried out within the Company. Activity-based operational processes are conducted in all departments under the unit. Customer satisfaction is prioritized in all activities.

The following activities are within the scope of the Operation Unit;

- Stock Operation
- Debt Instrument Operation
- E-Warehouse Receipt Operation
- Derivative Instruments Operation
- Issuer Company Operations
- Fund Operation
- Cash Operation
- Loan Operation
- Customer Operations

The unit aims to reduce operational risk by moving its workflows to electronic platforms. The additional workflows to the document tracking system established within the Company have provided follow-up and control convenience in processes.

A joint workgroup is formed with the research and business units for corporate and market risk detections in the loan methodology. By this means, the customer and corporate risks are assessed at the same rate during the risk assessments performed.

Halk Invest is the only broker that provides trading services in E-Warehouse Receipt (ELÜS) transactions carried out at TURİB. ELÜS transactions are managed by the Operation Unit. Therefore, the Company allows its customers to trade under TURİB.

Halk Invest is the only broker that provides trading services in E-Warehouse Receipt (ELÜS) transactions carried out at TURİB.

Customers' transactions or bids under the Securities Lending Market are carried out by the Settlement and Custody Department. As customers' demands are met under the Securities Lending Market, the long-term investors are provided with the opportunity to make bids at the Securities Lending Market.

The Settlement and Custody Department supports the issuer companies in their transactions before the Central Registry System. The transactions of the issuers under the Central Securities Depository are carried out in line with our authority.

Within the scope of amendments made within the scope of the legislation, Halkbank customers were provided with the opportunity to open an investment account electronically. The Customer Operation Department was actively involved in all stages of the project and the Company will be able to open investment accounts via electronic platforms in the upcoming period. Business development processes regarding the subject are ongoing.

Process tests regarding the structuring of the products of business units and providing their automation infrastructure are also carried out by the Operations Unit.

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

Human Resources and Organization

TRAINING OPPORTUNITIES SUITABLE FOR EACH POSITION

Corporate Communications works to ensure coordination in Halk Invest's internal communication, information flow, 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.

Number of
Employees

138

Average Age
of Employees

37

Employee
Education Level

98%
Higher Education

Female Employees/
Total Employees

43%

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.

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

Corporate Communications

Corporate Communications works to ensure coordination in Halk Invest's internal communication, information flow, 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 2020 are described below:

- A mobile application called the SRS-Smart Recommendation System was designed to provide investors with new trading recommendations, strategies, Smart Charts, BIST-30 Company performances, and more. Advertisements were prepared for the mobile app, which can be downloaded from Google Play and the App Store, and were shared from social media platforms. Efforts to improve the SRS (Smart Recommendation System) product are ongoing.
- Halk Trader Mobile was introduced to provide mobile solutions to mobile investors.
- Score Card & Quantitative Analysis is a solution that consolidates data, including technical data, price summaries, market values, and market and indices in one place. Promotional content was prepared for Score Card & Quantitative Analysis and shared from social media platforms. In addition to the Score Card & Quantitative Analysis services, the "Analysis" page, which provides investors with reports and analyses such as research reports, the latest market news, an economic calendar, VIOP analysis, and market data, has been renewed as well. The Analysis page, which is popular among investors, now offers a more user-friendly interface with its new design. The new interface of the page will be introduced to users in 2021 with its new name, "My Analysis."

Animated cartoons were prepared for Eid-Al-Adha and Eid-Al-Fitr celebrations. The website "halkinzaferi.com" was launched on August 30, Victory Day, for honoring the heroes of the War of Independence.

- As the main sponsor and with the aim of contributing to the promotion of Aizanoi Ancient City, the world's first known stock market, Halk Invest introduced "ilkborsa.com," which provides a comprehensive stock exchange experience and allows visitors to witness important moments in the stock market history, from Aizanoi to the present day.
- Developed to promote financial literacy and stimulate interest in stock trading, the "Stock Market League" application has won awards.
- Presentations and promotional films were prepared for the Investment Advisory and Individual Portfolio Management, Research, Corporate Finance, and Markets Units, and these films were shared through digital channels. In this context, the Halk Invest website was updated and the services provided via the website improved.
- Animated cartoons were prepared for Eid-Al-Adha and Eid-Al-Fitr celebrations. The website "halkinzaferi.com" was launched on August 30, Victory Day, to honor the heroes of the War of Independence.

Corporate Social Responsibility Projects

SUPPORTING THE PROTECTION OF CULTURAL HERITAGE



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.

Starting its support for the Aizanoi City excavations in 2013, Halk Invest will continue this support as the "Main Sponsor" for 2017-2022.

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.

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 the 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 this context; 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.

Sponsorship from Halk Invest to Halkbank Sports Club

Halkbank Sports Club was established on July 21, 1983 to raise successful athletes and contribute to the development of sports in Turkey. Halk Invest sponsors Halkbank Sports Club, covering the expenses for all official and private matches, national and international championships and tournaments in the 2020-2022 season.



Halk Invest has sponsored Aizanoi Ancient City Excavations since 2013. This support included the 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.

Compliance with Corporate Governance Principles

Capital Markets Board Corporate Governance Principles Compliance Report

Corporate Governance Principles

The Company is not a publicly listed company. The Capital Markets Board introduced new regulations under the Corporate Governance Communiqué (II-17.1) with a resolution numbered 2/49 and dated January 10, 2019, which was published in the bulletin numbered 2019/2.

The Company undertakes compliance activities within the framework of its responsibilities.

Part I - Shareholders

Shareholders Relations Unit

Financial Management and Reporting Unit conducts relations with shareholders.

Exercise of Shareholders' Right to Obtain Information

Shareholders are provided with information regarding the Company's accounts and financial structure at Shareholders' General Assembly meetings. The Company's Financial Statements are audited periodically by an Independent Auditor, appointed by the Board of Directors, and approved by the General Assembly. In 2020, the independent audit was performed by DRT Bağımsız Denetim ve SMMM A.Ş. (Deloitte).

Other than General Assembly meetings, information is also provided by the Company's Financial Management and Reporting Unit in interim periods in the 3rd, 6th, and 9th months of the year, either in written form or by e-mail, whenever requested. The demand for the appointment of an independent auditor is not regulated in the Company's Articles of Association.

Information on Annual General Meetings

The Company's 2019 General Assembly Meeting was held on June 24, 2020, without announcements or invitation ceremonies in accordance with Article 416 of the Turkish Commercial Code No: 6102. In the meeting, it was decided that a total of TL 54,915,609.31 be paid to shareholders in cash; including TL 5,200,000.00 as 1st dividend and TL 49,715,609.31 as 2nd dividend. It was also decided that TL 5,206,560.93 be paid as secondary legal reserves and TL 24,000,000.00 not to be distributed and set aside as extraordinary reserves.

The minutes of the General Assembly Meeting were made available to all investors on the Company's website. The relevant documents were also uploaded on the Information Society Services web page of the Central Registry Agency ("MKK"), as required by the Turkish Commercial Code.

Voting Rights and Minority Rights

5. The Company's activities and management are undertaken by the Board of Directors which comprises of at least 5 (five) members that are appointed by the General Assembly in accordance with the provisions of the Turkish Commercial Code. The Board of Directors appoints a chairman and vice chairman in its first meeting.

Dividend Policy and Dividend Time

This is mentioned in Article 21 titled Calculating and Distributing Profit of the Company's Articles of Association.

<https://www.halkyatirim.com.tr/esas-sozlesme>

As per the resolution taken at the Ordinary General Assembly Meeting on June 24, 2020, TL 54,915,609.31 was paid to shareholders as a dividend on June 26, 2020.

Transfer Of Shares

The Company's Articles of Association do not contain any restrictions regarding the transfer of shares.

Amendments to the Articles of Association during the Period

No amendments were made in the Articles of Association during the period.

Part II - Public Disclosure and Transparency

Company Disclosure Policy

www.halkyatirim.com.tr is the Company's website in Turkish and English. Information concerning the Company is published through the CSD e-company platform and the Member Management System and Public Disclosure Form on the TCMA website.

The Company uses Registered Electronic Mail (KEP), a safe electronic mail service, where the sender and recipients are identified, the message time and content may not be changed, and which is legally valid in the event of a dispute.

The Company's periodic Financial Reports and announcements are published on <https://www.kap.org.tr/en/> and the Company's website.

Disclosure of Material Events

Disclosure of Material Events for 2020 was published on www.kap.gov.tr.

Company Website and Electronic Platforms

The Company's website and electronic platforms provide investors with market data and commercial services.

In parallel with market conditions and technological advances, the Company made investments in technological infrastructure to enable the security, sustainability, and performance of services offered.

	halkyatirim.com.tr	halkbank.com.tr	Halk Invest Trader/ Halk Trader Mobile/ Halk Invest Mobile iOS/Android	halkfx.com	FX Platform Meta Trader Mobile
Market Data	√	√	√	√	√
Research Reports	√	√	√	√	
Our Financial Statements	√			√	
About Us	√			√	
Emergency Plan	√	√		√	
Portfolio Status	√	√	√		√
Common Stock Trend	√	√	√		
VIOP Trade	√	√	√		
Investment Fund Trading	√	√	√		
FX Trade					√
Foreign Market Transactions					

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 the General Meeting of Shareholders.

Human Resources and Remuneration Policy

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

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 the 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 technology 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 to 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.

Compliance with Corporate Governance Principles

Organizational Chart

The organization chart of the company is available at <https://www.halkyatirim.com.tr/organizasyon-yapisi?lang=EN>

Part IV – Board of Directors

Structure and Composition of Board of Directors and Independent Members

Name-Surname	Position
1- Serdar SÜRER	Chairman
2- Yusuf Duran OCAK	Vice Chairman
3- Enes ÇELEBİ	Board Member
4- Ahmet ERDOĞAN	Board Member
5- Güvenç USTA	Board Member
6- Filiz Avukat	Board Member
7- Bülent SEZGİN	Board Member and CEO

There are no Independent Members in the Board of Directors.

Qualifications of Board Members

The 2nd paragraph of Article 9 titled “Board of Directors and Term of Duty” of the Company’s Articles of Association state that “One more than half the Board Members must be university graduates and meet the qualifications set out in the capital markets law.”

Duties and Responsibilities of Board of Directors and Managers

Article 10 of the Articles of Association titled “Duties and Powers of the Board of Directors” is as follows:

“Representation and management of the Company belong 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 Meetings of Shareholders.

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

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 a third party as managers.”

Operating 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 the proposal offered by the Company management. The Board of Directors took 85 decisions in the 01/01/2020 – 31/12/2020 activity period. None of these decisions received any dissenting views since Board Members were informed in advance.

Prohibition of Making Transactions with the Company and Competitors

Between 01.01.2020 - 31.12.2020 activity period, the prohibition of making transactions with the Company and competitors was applied to the board members.

Codes of Conduct

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

Number, Structure, and Independence of Committees Formed by the Board of Directors

Within the scope of the Corporate Governance Principles; the Audit Committee, the Early Risk Detection Committee, and the Corporate Governance Committee

have been formed with the resolution of the Board of Directors dated 18.03.2021 and numbered 24 as per Article 29 of the Articles of Association. The Company continues efforts regarding compliance with the principles of corporate governance.

Financial Benefits and Cash Benefits or Benefits in Kind Provided to the Board Members and Executive Managers

The monthly attendance fee is paid to the Board Members with the approval of the General Assembly. The total amount of compensation, in-cash and in-kind benefits, 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, mobile communications, representation hospitality, vehicle rent, and fuel) provided to Board Members and Executive Managers is TL 1,952,118.43.

Financial Benefits and Cash Benefits or Benefits in Kind Provided to Employees

Within the scope of the Human Resources Regulation;

The Company provides its employees with benefits such as salary, premiums, additional premiums, foreign language compensation, CMB license compensation, daily food remuneration, road fee or shuttle, allowance, private health insurance premium, private life insurance premium, individual annuity contribution. In addition, employees with the title of manager and above are provided with representation and hospitality fees, telephone, car rental, and/or fuel benefits.

As of the end of 2020, there are 138 employees working at the Company.

Information on the Donations Made During the Year

No donation was made in 2020.

Information on the Company’s Affiliates and Ownership Structure

None.

Information on Lawsuits Filed Against the Company and Lawsuits that may Affect the Company's Financial Status

The Company sets aside a provision of 100% for lawsuits filed against the Company by the customers or former employees. There are no lawsuits that may affect the Company's financial status.

There have not been any administrative or legal sanctions imposed on the members of the Company and its Board of Directors for practices in breach of applicable legal or regulatory provisions.

Explanations on Special Audits and Governmental Audits Held During the Accounting Period

The Company is within the scope of Independent Audit in accordance with CMB Legislation and is subject to governmental audits of the Turkish Court of Accounts.

Information on Related Party Transactions

As of the end of 2020, the Company did not carry out any legal transactions with our parent company Türkiye Halk Bankası A.Ş. and/or the affiliate companies of the parent company. Also, the Company did not carry out any legal transactions to the benefit of our parent company Türkiye Halk Bankası A.Ş. and/or the affiliate companies of the parent company, following a request by the parent company. There have not been any actions taken or refrained from being taken, to the benefit of Türkiye Halk Bankası A.Ş. or its affiliate companies.

As of the end of 2020, all of the commercial activities that occurred between our Company and our parent company or with the affiliates of the parent company were realized under the prevailing market conditions.

December 31, 2020	
Cash and cash equivalents	
T. Halk Bankası A.Ş.	217,276,149
-Term deposits	129,492,235
-Demand deposits	87,783,915
Financial investments	
Halk Varlık Kiralama A.Ş.	4,028,512
-Lease Certificate	4,028,512
Halk Faktoring A.Ş.	2,938,800
-Stocks	2,938,800
T. Halk Bankası A.Ş.	1,000,000
-Commercial paper	1,000,000
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	1,174,981
-Stocks	1,174,981
Halk Finansal Kiralama A.Ş.	24,465,566
-Commercial paper	24,465,561
-Stocks	5
Total	250,884,008
December 31, 2020	
Debts to affiliates	
Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş.	1,873
T. Halk Bankası A.Ş.	312
Total	2,185

Duties and Responsibilities of the Board of Directors

Appointed Board Members

	Name-Surname	Date of Appointment	Method of Appointment
Chairman of the Board of Directors	Serdar SÜRER	24.06.2020 - 2020/37	General Assembly
Vice Chairman of the Board of Directors	YUSUF DURAN OCAK	24.06.2020 - 2020/37	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	26.07.2017 - 2017/61	Resolution of the Board of Directors
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)	Güvenç USTA	24.06.2020 - 2020/38	Resolution of the Board of Directors
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" (Serial V, No: 102.1)	Ahmet ERDOĞAN	24.06.2020 - 2020/38	Resolution of the Board of Directors
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"	Yusuf Duran OCAK	24.06.2020 - 2020/38	Resolution of the Board of Directors
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"	Güvenç USTA	24.06.2020 - 2020/38	Resolution of the Board of Directors
Board Member In Charge of Public Disclosure Form (KAF)			
Board Member in charge of signing Public Disclosure Forms as per the CMB Communiqué on "Principles Regarding Public Disclosure by Intermediary Institutions" (Serial V, No: 77)	Güvenç USTA	24.06.2020 - 2020/38	Resolution of the Board of Directors+B7:E17

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2020 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 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

2) Basis for Opinion

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



3) **Emphasis of Matter**

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

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

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

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

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



4) Key Audit Matters

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

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

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

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

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

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



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

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

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

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

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

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

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

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

**B) Report on Other Legal and Regulatory Requirements**

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

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

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

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

Müjde Aslan
Partner

İstanbul, 15 February 2021

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

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

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

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

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

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

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

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

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Statement of Cash Flows for the Year Ended 31 December 2020

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2020**

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

1**Organisation and operations of the Company**

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

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

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

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

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

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

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

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

Approval of the Financial Statements:

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2020**

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

2

Basis of presentation of the financial statements*The preparation of financial statements*Statement of Compliance to TFRS

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

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

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

Currency Used

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

Preparation of financial statements in hyperinflationary periods

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

Comparative Information, Adjustment and Reclassification of Prior Period Financial Statements

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

Changes in Accounting Policies

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

Changes in Accounting Estimates and Errors

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2020**

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

2

Basis of presentation of the financial statements (cont'd)***Changes in Accounting Estimates and Errors (cont'd)***

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

New and Amended Turkish Financial Reporting Standardsa) Amendments that are mandatorily effective from 2020

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

Amendments to TFRS 3 *Definition of a Business*

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

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

Amendments to TAS 1 and TAS 8 *Definition of Material*

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2020**

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

2 Basis of presentation of the financial statements (cont'd)**New and Amended Turkish Financial Reporting Standards (cont'd)****a) Amendments that are mandatorily effective from 2020 (cont'd)*****Amendments to TFRS 16 COVID-19 Related Rent Concessions***

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

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

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

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

Amendments to References to the Conceptual Framework in TFRSs

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

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2020**

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

2 Basis of presentation of the financial statements (cont'd)**New and Amended Turkish Financial Reporting Standards (cont'd)****b) New and revised TFRSs in issue but not yet effective (cont'd)*****TFRS 17 Insurance Contracts***

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

Amendments to TAS 1 Classification of Liabilities as Current or Non-Current

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

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

Amendments to TFRS 3 Reference to the Conceptual Framework

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

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

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

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

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

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2020**

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

2

Basis of presentation of the financial statements (cont'd)**New and Amended Turkish Financial Reporting Standards (cont'd)****b) New and revised TFRSs in issue but not yet effective (cont'd)****Annual Improvements to TFRS Standards 2018-2020****Amendments to TFRS 1 *First time adoption of International Financial Reporting Standards***

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

Amendments to TFRS 9 *Financial Instruments*

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

Amendments to TAS 41 *Agriculture*

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2020**

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

2 Basis of presentation of the financial statements (cont'd)**Summary of significant accounting policies***Accounting of revenue and expenses***Sales revenue and financial income****Sales Income**

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

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

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

Service Income

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

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

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

Other

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

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

Other revenue and expenses are recognised on accrual basis.

Related Parties

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2020**

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

2. Basis of presentation of the financial statements (cont'd)**Summary of significant accounting policies (cont'd)****Related parties (cont'd)**

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

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

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

Property, plant and equipment

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2020***(Amounts are expressed in full Turkish Lira ("TL") unless otherwise stated)***2. Basis of presentation of the financial statements (cont'd)****Summary of significant accounting policies (cont'd)*****Property, plant and equipment (cont'd)***

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

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

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

Intangible assets***Intangible assets acquired separately***

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

Leases***The Company as Lessee***

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

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

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

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

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for the Year Ended 31 December 2020**

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

2. Basis of presentation of the financial statements (cont'd)**Summary of significant accounting policies (cont'd)****Leases (cont'd)****The Company as Lessee (cont'd)**

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

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

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

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

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

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2020**

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

2. Basis of presentation of the financial statements (cont'd)**Summary of significant accounting policies (cont'd)*****Leases (cont'd)******The Company as Lessee (cont'd)***

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

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

Investments accounted for by using equity method

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

Financial instruments***Financial assets***

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2020**

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

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

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

Financial assets at fair value through profit or loss

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

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

Financial assets measured at fair value through other comprehensive income

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

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2020**

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

2. Basis of presentation of the financial statements (cont’d)**Summary of significant accounting policies (cont’d)*****Financial instruments (cont’d)*****Financial assets measured at amortised cost**

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

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

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

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

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

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

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for the Year Ended 31 December 2020**

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

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

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

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

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

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

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

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

Recognition and derecognition of financial assets

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

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for the Year Ended 31 December 2020**

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

2. Basis of presentation of the financial statements (cont'd)**Summary of significant accounting policies (cont'd)*****Financial instruments (cont'd)******Recognition and derecognition of financial assets (cont'd)***

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

Financial liabilities

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

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

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

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

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

The Company does not reclassify any financial liability.

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)

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

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

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

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

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for the Year Ended 31 December 2020**

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

2. Basis of presentation of the financial statements (cont'd)**Summary of significant accounting policies (cont'd)****Effects of Exchange Differences**Foreign Currency Transactions and Balances

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

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

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

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

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
for the Year Ended 31 December 2020**

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

2. Basis of presentation of the financial statements (cont'd)**Summary of significant accounting policies (cont'd)****Earnings per Share**

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

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

Events after the Reporting Period

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

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

Provisions, Contingent Assets and Liabilities

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

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

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

Onerous contracts

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

Restructuring

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

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for the Year Ended 31 December 2020**

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

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

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

Segment Reporting

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

Income Tax

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

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

Current tax

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

Deferred tax

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

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

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for the Year Ended 31 December 2020**

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

2. Basis of presentation of the financial statements (cont'd)**Summary of significant accounting policies (cont'd)****Income Tax (cont'd)**

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

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

Current and deferred tax for the period

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

Employee Benefits***Termination and retirement benefits:***

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

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

Profit-sharing and bonus plans

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

Statement of Cash Flows

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

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

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Cash and cash equivalents

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

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

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

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

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

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

31 December 2020				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
T. Halk Bankası A.Ş.	16.25%-17.50%	4 January 2021-19 February 2021	TL	129,492,235
Total				129,492,235
31 December 2019				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
T. Halk Bankası A.Ş.	11.00%-11.75%	1 January 2020-3 March 2020	TL	97,152,042
Total				97,152,042

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

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

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Financial investments**Short-term financial investments**

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

Financial assets at fair value through profit or loss

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

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

Long-term financial investments

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

Financial assets at fair value through other comprehensive income

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

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

(2) Stated at cost value in financial statements.

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5

Related party disclosures**Receivables from related parties and payables to related parties**

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

	31 December 2020	31 December 2019
Cash and cash equivalents		
T. Halk Bankası A.Ş.	217,276,149	135,059,513
-Time deposit	129,492,235	97,152,042
-Demand deposit	87,783,915	37,907,470
Financial investments		
Halk Sigorta A.Ş.	-	42,328,882
-Stock shares	-	42,328,882
Halk Varlık Kiralama A.Ş.	4,028,512	-
-Stock shares	4,028,512	-
Halk Faktoring A.Ş.	2,938,800	2,938,800
-Stock shares	2,938,800	2,938,800
T.Halk Bankası A.Ş.	1,000,000	702,130
-Commercial paper	1,000,000	702,130
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	1,174,981	427,230
-Stock shares	1,174,981	427,230
Halk Finansal Kiralama A.Ş.	24,465,566	5
-Commercial paper	24,465,561	-
-Stock shares	5	5
Total	250,884,008	181,456,560

	31 December 2020	31 December 2019
Trade receivables from related parties		
T.Halk Bankası A.Ş.	-	460,032
Halk Sigorta A.Ş.	-	288
Halk Hayat ve Emeklilik A.Ş.	-	34,567
Total	-	494,887

	31 December 2020	31 December 2019
Payables to related parties		
Halk Sigorta A.Ş.	-	1,250,590
T. Halk Bankası A.Ş.	312	6,574
Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş.	1,873	1,521
Total	2,185	1,258,685

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

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

Income from related parties

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
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5

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

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

Benefits provided to key management

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

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Trade receivables and payables**Trade receivables**

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

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

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

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

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

Trade payables

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

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

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7

Other non-current assets

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

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

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

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

8 Other receivables and payables**Other receivables**

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

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

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

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

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

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

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

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

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

9 Prepaid expenses

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
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Property, plant and equipment

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

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

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

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

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Intangible assets

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

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

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

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12 Right-of-use Assets and Lease Payables

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

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

31 December 2020 31 December 2019

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

13 Provisions, contingent assets and liabilities**Other short-term provisions**

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

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

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Provisions, contingent assets and liabilities (cont'd)**Other off-balance sheet liabilities**

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

Letters of guarantee

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

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

Other off-balance sheet liabilities

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

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

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

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

Lawsuits

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

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

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14 Provisions related to employee benefits

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

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

Provision for unused vacation

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

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

Provision for personnel dividend premium

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

Termination and retirement benefits

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

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

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

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14 Provisions related to employee benefits (cont'd)

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

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

15 Tax assets and liabilities

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

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

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

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

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

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

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

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Tax assets and liabilities (cont'd)

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

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

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

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

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

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

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

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

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

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Tax assets and liabilities (cont’d)**Deferred tax**

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

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

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Shareholders’ equity

In accordance with the resolution of the General Assembly dated 24 June 2020, it is decided to provide primary reserve amounting to TL 4,427,483 at the rate of 5% of the net profit in 2019, to pay the first dividend amounting to TL 5,200,000 with a rate of 5% of the paid capital to the shareholders of the Company pursuant to the provision of Article 21/b and the second dividend amounting to TL 49,715,609 pursuant to provision of Article 21/d which make TL 54,915,609 in total and to provide the secondary reserve amounting to TL 5,206,561.

Restricted reserves appropriated from profit

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

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

Revaluation and reclassification gains (securities increment value fund)

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

Other earnings

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

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16 Shareholders' equity (cont'd)**Prior years' profit**

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

17 Revenue and cost of sales

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

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

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18 General administrative and marketing expenses

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

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

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

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

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19 Expenses by nature

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

20 Other income and expenses from operating activities

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

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

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

⁽²⁾ It comprises dividend income on corporate portfolio.

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

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

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

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

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Finance income and expenses

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

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

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

22 Nature and level of risks arising from financial instruments

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

22.1 Credit risk

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

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22 Nature and level of risks arising from financial instruments (cont'd)**22.1 Credit risk (cont'd)****Credit risks exposed by types of financial instruments:**

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

(1) Receivables from reverse repo transactions amounting to TL 42,395,548 stated under cash and cash equivalents are included.

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

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

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

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

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22 Nature and level of risks arising from financial instruments (cont'd)**22.2 Liquidity risk**

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

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

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

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

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

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

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

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22 Nature and level of risks arising from financial instruments (cont'd)**22.3 Market risk***Foreign currency risk*

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

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

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22 Nature and level of risks arising from financial instruments (cont'd)**22.3 Market risk (cont'd)***Foreign currency risk (cont'd)*

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

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22 Nature and level of risks arising from financial instruments (cont'd)**22.3 Market risk (cont'd)***Foreign currency sensitivity analysis*

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ**Notes to the Financial Statements
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22 Nature and level of risks arising from financial instruments (cont'd)**22.3 Market risk (cont'd)***Price risk*

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

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

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

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

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

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

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22 Nature and level of risks arising from financial instruments (cont’d)**22.3 Market risk (cont’d)***Interest rate risk*

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

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

Interest risk position table

Stocks are not included in financial investments.

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

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

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22 Nature and level of risks arising from financial instruments (cont’d)**22.4 Capital management**

As of 31 December 2020 and 31 December 2019, the minimum liability for shareholders’ equity that the Company should possess shall be TL 28,693,544 since the Company is defined as “Entity with Broad Authority” in the scope of the Communiqué 34.

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

a) Non-current assets;

1) Property, plant and equipment (net),

2) Intangible assets (net),

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

4) Other non-current assets,

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

The Company’s capital base is TL 342,669,019 as of 31 December 2020 (31 December 2019: TL 213,667,772). The base of adequacy cannot be less than the items stated below.

a) Minimum capital corresponding the license obtained,

b) Risk provision,

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

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

Risk provision

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

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

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

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Financial instruments*Fair value disclosures*

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

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

Classification of fair value measurement

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

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

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

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

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

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

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short-term)	37,860,428	-	-	37,860,428
Financial investments (long-term) ^(*)	1,174,981	1,517,254	4,078,360	6,770,595

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

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

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short-term)	55,508,661	-	-	55,508,661
Financial investments (long-term) ^(*)	427,230	1,517,254	2,938,800	4,883,284

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

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

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Financial instruments (cont'd)**Fair value disclosures (cont'd)***Classification of fair value measurement (cont'd)*

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

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

As of 31 December 2020 and 31 December 2019, the Company's Borsa İstanbul associate rate is 0.377%. The Company holds 159,711 shares with nominal value of TL 15,971,094. In the current period, the relevant shares are valued with price per share that is determined in the 15 January 2018 dated and 2018/6 numbered meeting of Borsa İstanbul, and the valuation effect is recognized under equity in financial statements.

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Other matters

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

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

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

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

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

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

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

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Other matter (cont'd)

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

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

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

Effects of COVID 19

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

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

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Events after the reporting period

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



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