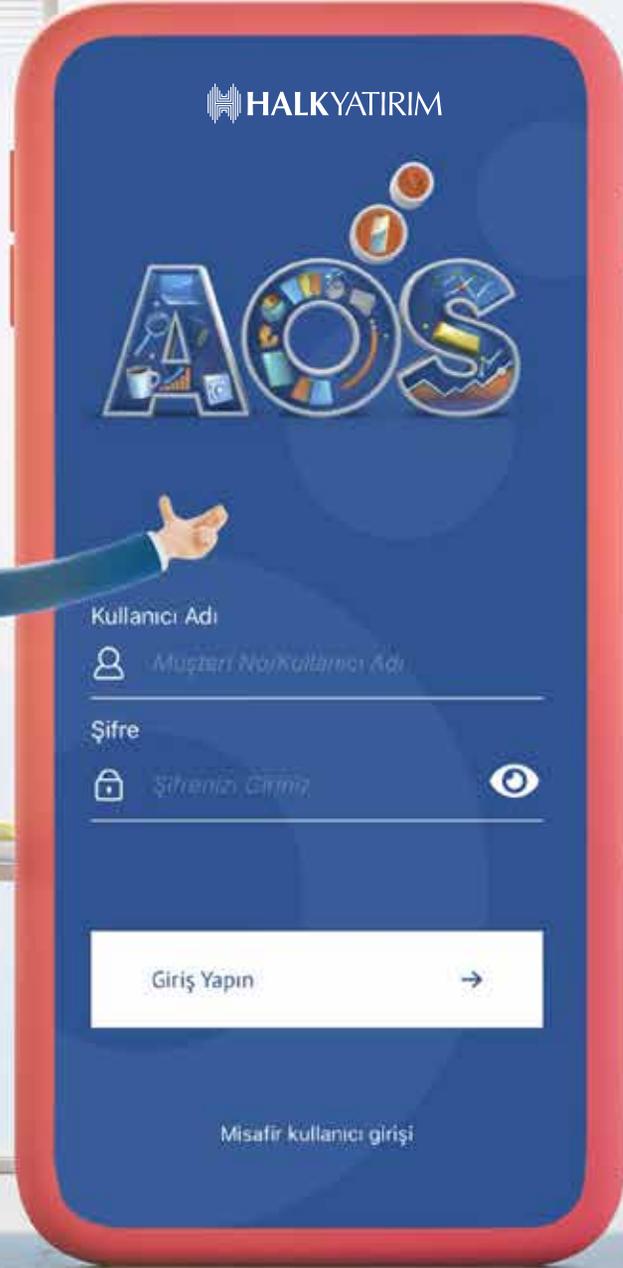


All our products and services are
**Smart, Logical,
and Futuristic!**



 **HALKYATIRIM**

Halk Invest Annual Report 2021

Contents

About Halk Invest

- 14 Halk Invest in Brief
- 16 Halk Invest Initiatives
- 18 Major Indicators
- 20 Halkbank in Brief
- 22 Capital and Shareholding Structure
- 24 Milestones
- 26 Developments in 2021
- 28 Ratings Received from the Credit Rating Agency

From the Management

- 30 Chairman's Message
- 32 Board of Directors
- 34 Message from the CEO
- 36 Executive Management
- 37 Organizational Chart

Review of Operations in 2021

- 38 Macroeconomic Outlook
- 40 Markets
- 42 Sales, Investment Advisory and Individual Portfolio Management
- 44 Domestic Branches and Special Transaction Center
- 45 Research
- 46 Treasury and Portfolio Brokerage
- 48 Corporate Finance
- 50 Information Technologies
- 52 Internal Audit Systems
- 53 Financial Management and Reporting
- 54 Operations
- 56 Human Resources, Law and Management Organization

Sustainability and Corporate Social Responsibility

- 60 Corporate Social Responsibility Projects

Corporate Governance

- 62 Compliance with Corporate Governance Principles

Financial Tables

- 71 Financial Statements as of December 31, 2021, and Independent Audit Report

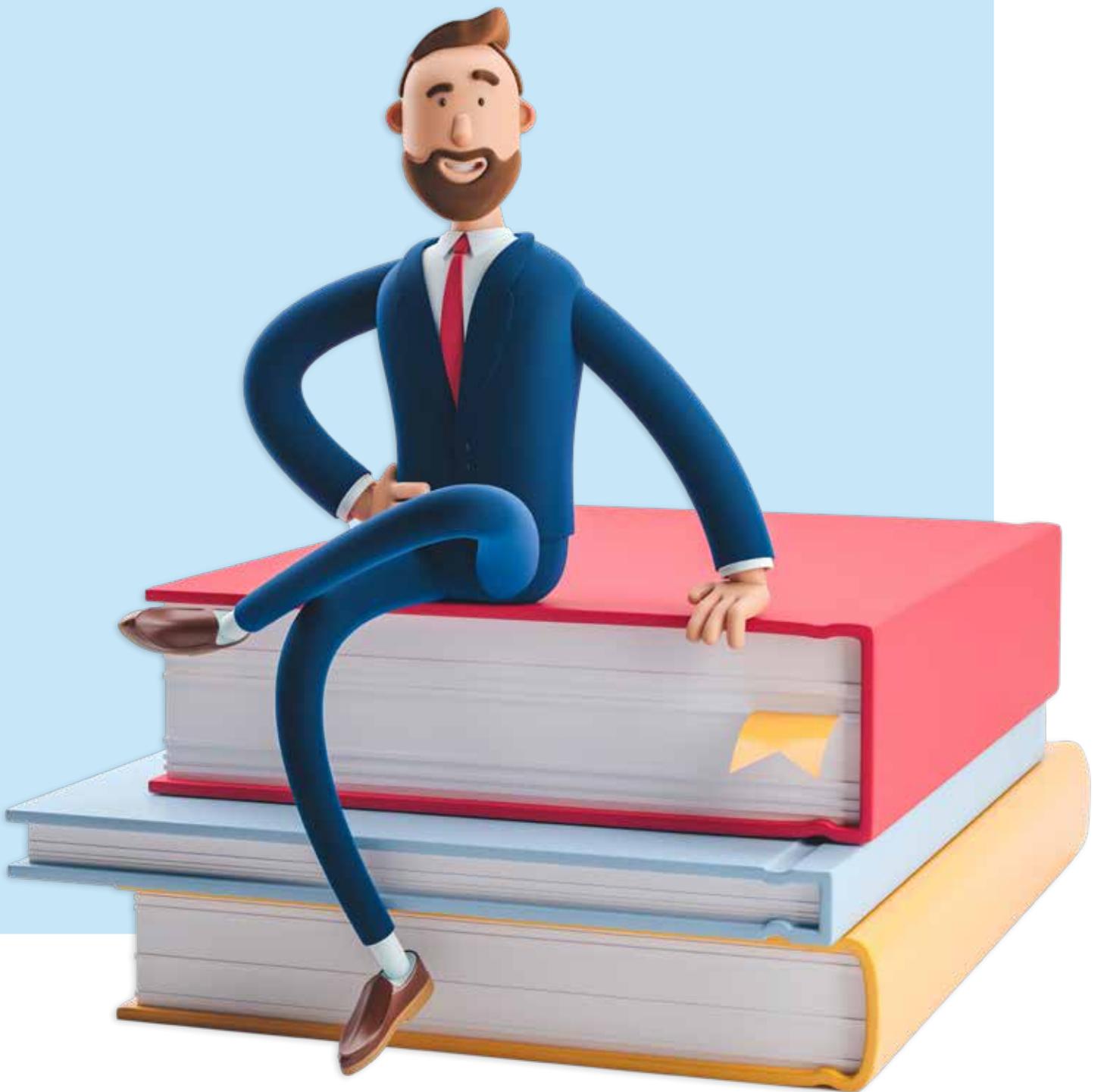
Halk Invest was founded in 1997 to provide brokerage services in capital markets. We have expanded our product and service diversity through consistent adaptation to innovation, reinforced by our robust financial and corporate structure and our strong vision.

We stayed abreast of global changes, continuously implementing innovations in line with the spirit of the time, particularly in our technological investments. For example, our Smart Recommendation System (SRS) is now a product of interest in the investment world. We carry on bringing new dimensions to the investment experience through innovative products and services such as the SRS, and play an active role in expanding the investor base.



Rising financial literacy with the SRS

Introduced to the investment world following rigorous efforts, the SRS comprises new transaction suggestions, smart strategies and smart charts, Index 30 company performances, and more. Diversified modules such as Model Portfolio, Investment Advisory Suggestions, Start the Day, and Life Questionnaire add a difference to investment ideas. The SRS expands the investor base and contributes to the development of financial literacy with an easy and understandable structure. Efforts to launch trading capabilities via the SRS are ongoing.



Charts and data turn into profit with the SRS

The SRS provides distinct charts and numerical data for the benefit of users. The Smart Charts Module analyses the previous day's BIST 30 shares with artificial intelligence and offers suggestions to users for both directions from the opening of the market to its close. The SRS offers many different advantages to users, who can also utilize the Finnet 2000 and Fonbul features free of charge.



The SRS races against the clock for users

Tracking developments in the stock market, viewing charts, reviewing stock analyses, and forming strategies and making financial calculations require particular effort and time in the busy pace of today's life. The SRS brings more than time to users via rapid assessment and reporting.



The SRS lights the way for everyone

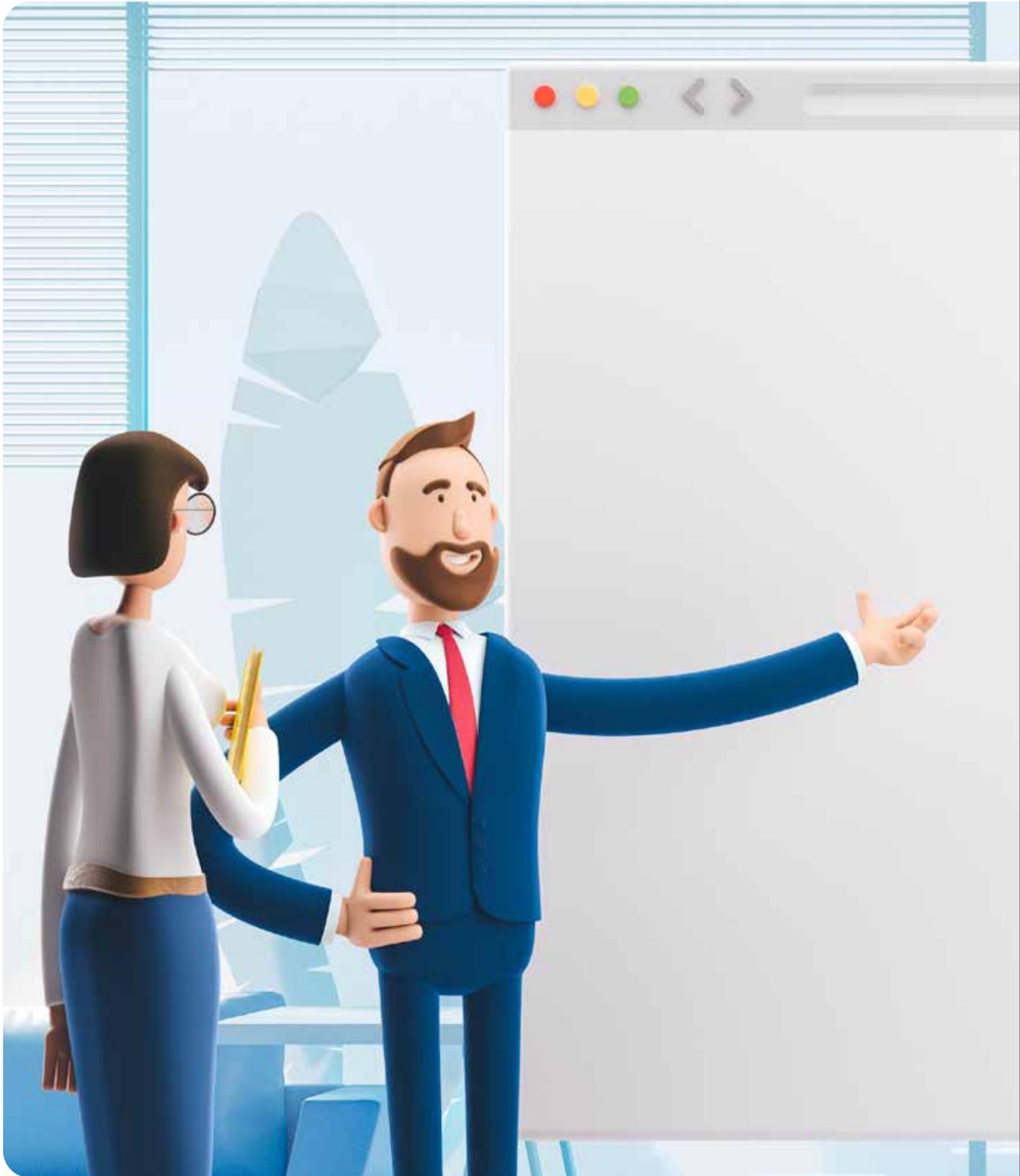
The investor profile in Turkey is changing as the stock market draws the attention of more investors with a record number of IPOs and earning potential. However, investing in the stock market requires information. At this point, the importance of the SRS becomes clear. Reaching more than 200,000 users, the SRS provides guidance, and shapes both investments and the future of investment.



Significant solutions to important questions

Score Card offers an in-depth analysis of companies' balance sheets and financial performance. In addition, it helps users make quick and accurate investment decisions with the help of colors. With Quantitative Analysis, comprehensive technical analyses for the last quarter's performance of the relevant stock can be examined. Thus, current and potential investors can access essential information.







Support for rational venture investments with Fonlabüyüsün

One of the first share-based crowdfunding and brokerage platforms in Turkey, Fonlabüyüsün set out to provide new impetus to the world of venture investments. Fonlabüyüsün offers entrepreneurs the opportunity to introduce their projects to a wide audience of users and investors and, with the profit-sharing-based financing model, to find the financing source they need, as well as potential customers. In addition, the platform allows investors to reach and invest in qualified innovative projects with high potential.



Halk Invest in Brief

One of the most effective institutions in the field of corporate finance and advisory

Establishment

1997

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.

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:

Initial Operation

1998

As a subsidiary of Türkiye Halk Bankası, Halk Invest conducts brokerage activities with nine branches in Istanbul, 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.

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

Number of Employees

157

Average Age of Employees

37

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.

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.

Employee Education Level

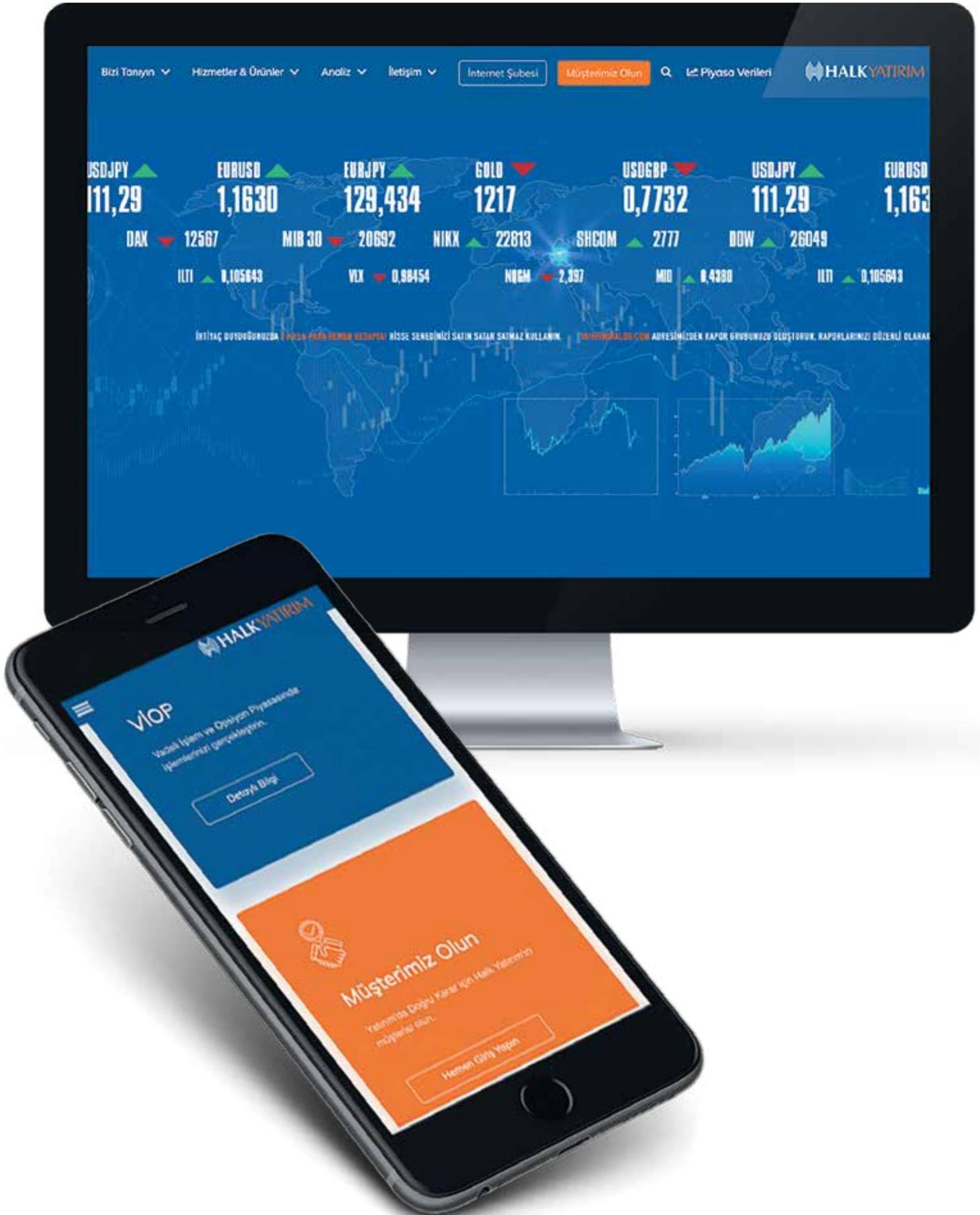
98%

Higher Education

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."

Female Employees/ Total Employees

44%



Halk Invest Initiatives

New generation investment banking that "blazes trails" in Turkey

Fonlabüyüsün is operational

Commencing operations within Halk Invest to engage in Share-Based Crowdfunding activities in 2021, Fonlabüyüsün is one of the first share-based crowdfunding platforms in Turkey that render brokerage services.

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

Halk Invest which brokered Turkey's first Real Estate Investment Trust and Agricultural Commodity-Based Lease Certificate (Sukuk) issues accomplished 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 Couponed 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 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 second undertaking mechanism. The transaction is based on a management contract and a sale/purchase agreement. Providing a secondary safety mechanism to investors, this transaction is the first sukuk issue featuring a second undertaking mechanism in the market.

2021

One of the First Share-Based Crowdfunding Platforms in Turkey: fonlabuyusun.com

Fonlabüyüsün was authorized by the Capital Markets Board to engage in Share-Based Crowdfunding activities as an initiative of Halk Yatırım Menkul Değerler A.Ş. on September 30, 2021. Operating within Halk Invest, Fonlabüyüsün is one of Turkey's first share-based crowdfunding platforms that render brokerage services.

Yıldız Teknik Venture-Capital Investment Trust Founded

With capital of TL 10 million and a share ratio of 33.33%, Halkbank participated in Yıldız Tekno Girişim Sermayesi Yatırım Ortaklığı AŞ, founded with a capital of TL 30 million to support entrepreneurs.

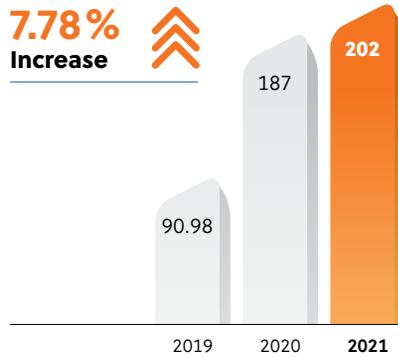
Major Indicators

Sustainable structure, stable growth

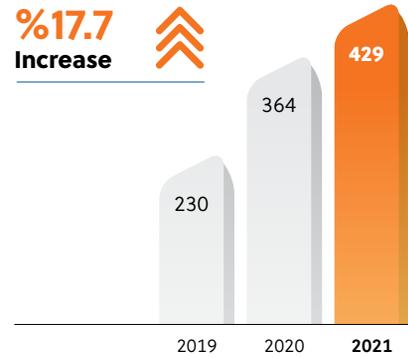
A blooming year

Having left behind a year full of successes, Halk Invest raised its total service revenue to TL 314 million with an increase of 11.90% and increased its net profit by 7.78% to TL 202 million in 2021.

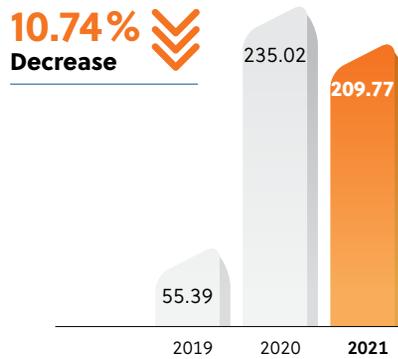
Net Profit (TL million)



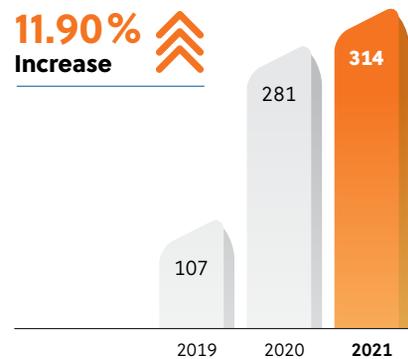
Shareholders' Equity (TL million)



Stock and Derivative Instruments (VIOP) Commission Revenue (TL million)



Total Service Revenue (TL million)



Balance Sheet Items (TL)

	31.12.2021	31.12.2020
Assets		
Cash and Cash Equivalents	318,368,157	263,972,609
Trade Receivables	373,817,904	295,216,440
Total Assets	798,312,810	661,752,696
Liabilities		
Payables	-	-
Trade Payables	307,236,461	260,181,449
Shareholder's Equity	428,717,822	364,243,968
Net Profit For The Period	201,656,350	187,095,754
Total Liabilities and Shareholders' Equity	798,312,810	661,752,696

Income Statement Items (TL)

	31.12.2021	31.12.2020
Pre-Tax Profit/(Loss)	268,529,470	240,232,946
Tax	66,873,120	53,137,192
Net Profit/(Loss) for the Period	201,656,350	187,095,754

Financial Ratios

	31.12.2021	31.12.2020
Liquidity Ratios		
Current Ratio (Current Assets/Current Liabilities)	212%	219%
Cash Ratio (Liquid Assets/Current Liabilities)	88%	90%
Financial Structure Ratios		
(Current Liabilities + Long-Term Liabilities)/Total Assets	46%	45%
Average Shareholders' Equity/Total Assets	50%	45%
Profitability Ratios		
Net Profit/Assets	25%	28%
Net Profit/Average Shareholders' Equity	51%	63%
Shareholders' Equity (TL million)		
Shareholder's Equity	429	364

Halkbank in Brief

Pioneering bank of producing Turkey

Well-established, pioneering and reputable
Halkbank established in 1938 became one of the steadily growing, well-established, pioneering, and reputable brands of rising Turkey. The Bank which has been leading the development of the banking industry in Turkey for 83 years maintains its mission of supporting the real sector.

Established in 1938 to stand behind craftsmen and artisans and accelerate permanent economic development, Halkbank became one of the steadily growing, well-established, pioneering, and reputable brands of rising Turkey. The Bank which has been leading the development of the Turkish banking industry for 83 years maintains its mission of supporting the real sector.

Rendering an unparalleled banking experience to its customers with 1,018 domestic branch locations, 5 overseas branches, 1 country office, 3 overseas representative offices, 4,082 ATMs, Telephone and Internet Banking channels, and Mobile Banking applications as of the end of 2021, 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 19.5% and allocating 48.3% of its commercial loans to SMEs, Halkbank continues to be the biggest supporter of the Turkish economy.

Total Number of Branches

1,023

Total Number of ATMs

4,082

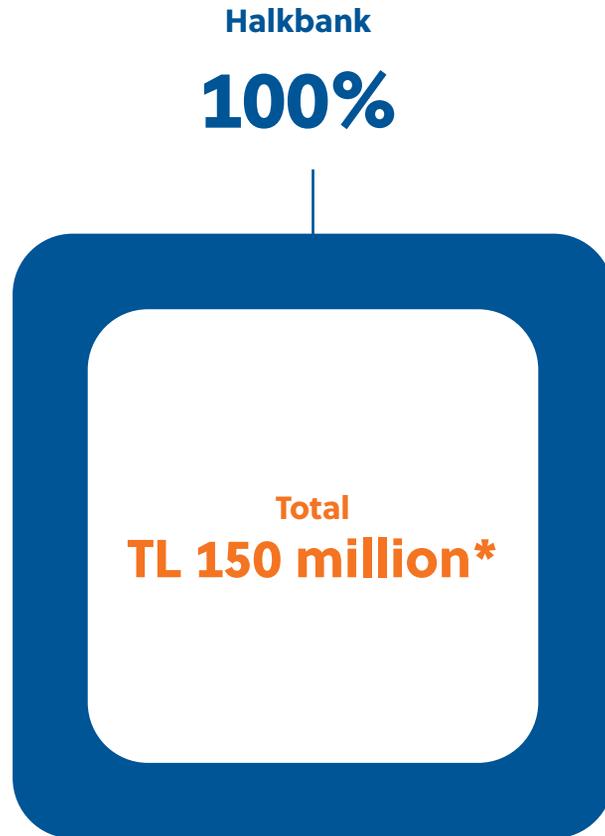
SME loans market share

19.5%



Capital and Shareholding Structure

A dynamic structure drawing its strength from Halkbank's long-standing past



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



Milestones

The pioneering institution blazing trails again in 2021

Trails blazed

Halk Invest carried on bringing innovations to Turkey also in 2021. Fonlabüyüsün, one of Turkey's first share-based crowdfunding platforms rendering brokerage services started to operate as a Halk Invest initiative.

2011

- Halk Portföy establishment of 25% partnership

2012

- Halkbank's 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
- Establishment of Halk Invest Memorial Forest
- Turkey's Best Brokerage Firm Award in Global Banking & Finance Review Sukuk Issues

2016

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

2017

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

2018

- JCR Rating AAA (Trk)
- Support for the largest asset-backed security (ABS) issuance in Turkey
- 103 Debt instruments and sukuk issues intermediated 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 intermediated during the year
- TLREF Issues
- Bonds & Loans-Local Currency Bond/Sukuk Deal of the Year First Prize-Turkish Grain Board ("TMO") Agricultural Commodity-Based Sukuk Issue
- Bonds & Loans-Turkey's Best Islamic Finance Transaction Award First Prize-Turkish Grain Board ("TMO") Agricultural Commodity-Based 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

2021

- JCR Rating AAA (Trk)
- 74 Debt instruments and sukuk issues intermediated during the year
- Foundation of Yıldız Teknik Venture-Capital Investment Trust
- Establishment of the Crowdfunding Platform fonlabuyusun.com
- 3 Awards at the LAPC (American Communications Professionals) 2020 Vision Awards
- The Gold Award worldwide, the Bronze Award in the ranking of most improved annual reports, and the Technical Success Award with its 2020 annual report "Smart Recommendations Transform Lives" at the LAPC 2020 Vision Awards
- Horizon Interactive Awards The Gold Award with halkinzaferi.com and "Love Is The Biggest Investment" movie project, the Silver Award with the SRS
- The Silver Award in web sites (Banking & Finance Industry) category with ilkborsa.com which presents the stock market history beginning from Aizanoi, the world's first known stock market and to the future of investment at Horizon Interactive Awards

Developments in 2021

Pioneer and leader in the industry

The institutions mediated

The institutions for which Halk Invest mediated issues in 2021 are as follows: Halkbank, Halk Leasing, Halk REIT, Turkcell Superonline, Emlak Konut REIT, Kayseri Şeker, and Turkcell Ödeme ve Elektronik Para Hizmetleri.

Market share

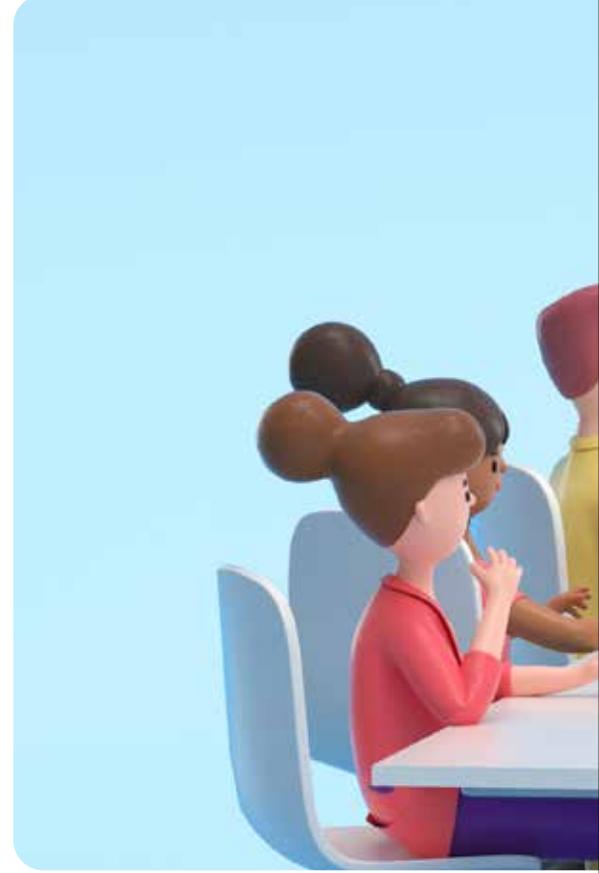
8.39%

TL 21.7 Billion Issue

Halk Invest intermediated 74 debt instrument and sukuk issues in 2021. Through TL 21,681 billion in issues, the Company closed 2021 in the third place with a market share of 8.39%.

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 2021, the Company offered its brokerage services to Halkbank, Halk Leasing, Halk REIT, Turkcell Superonline, Emlak Konut REIT, Kayseri Şeker, and Turkcell Ödeme Ve Elektronik Para Hizmetleri (Paycell).

Halk Invest undertook one sukuk issue amounting to TL 100 million. The management contract-based issue 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 in Turkey.



In 2021, Halk Invest performed 11 sukuk issues amounting to a total of TL 1.7 billion, 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.

One sukuk issue corresponding to a total of TL 100 million was carried out based on a management contract. Halk Varlık Kiralama A.Ş. (Halk VKŞ), which performed the first sukuk transaction on behalf of Halk Finansal Kiralama A.Ş. operating in the financial leasing industry, participated as the issuer.

Halk Invest undertook three 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 280 million.



Halk Invest made one sukuk issue for PASHA Bank, a bank that engages in corporate and investment banking in Turkey, based on management contracts that include financial leasing transactions compliant with Islamic finance principles, at the rate of 120% of the issue amount with a total amount of TL 40 million. Initiating sukuk activities in 2014, Halk Invest mediated 29 sukuk transactions in 2021 with a total amount of TL 3.7 billion.

The Smart Recommendation System is Winning Awards

Launched in 2020 as a mobile application and offering users new transaction suggestions, strategies, Smart charts, Index 30 company performances, and more every day, the Smart Recommendation System (SRS) competed with hundreds of international projects and was presented with the Silver Winner award in the "Mobile Apps – Business" category at Horizon Interactive Awards. With the SRS, our investors can track the latest developments via up-to-date news regarding stocks.

TLREF-Based Issues

In 2021, Halk Invest issued 15 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.

Based on the latest market data for 2021, 205 TLREF-based debt instruments with a total value of approximately TL 49.2 billion were issued; Türkiye Halk Bankası A.Ş. realized 10.9% of these transactions with 15 transactions amounting to TL 5.4 billion through Halk Invest.

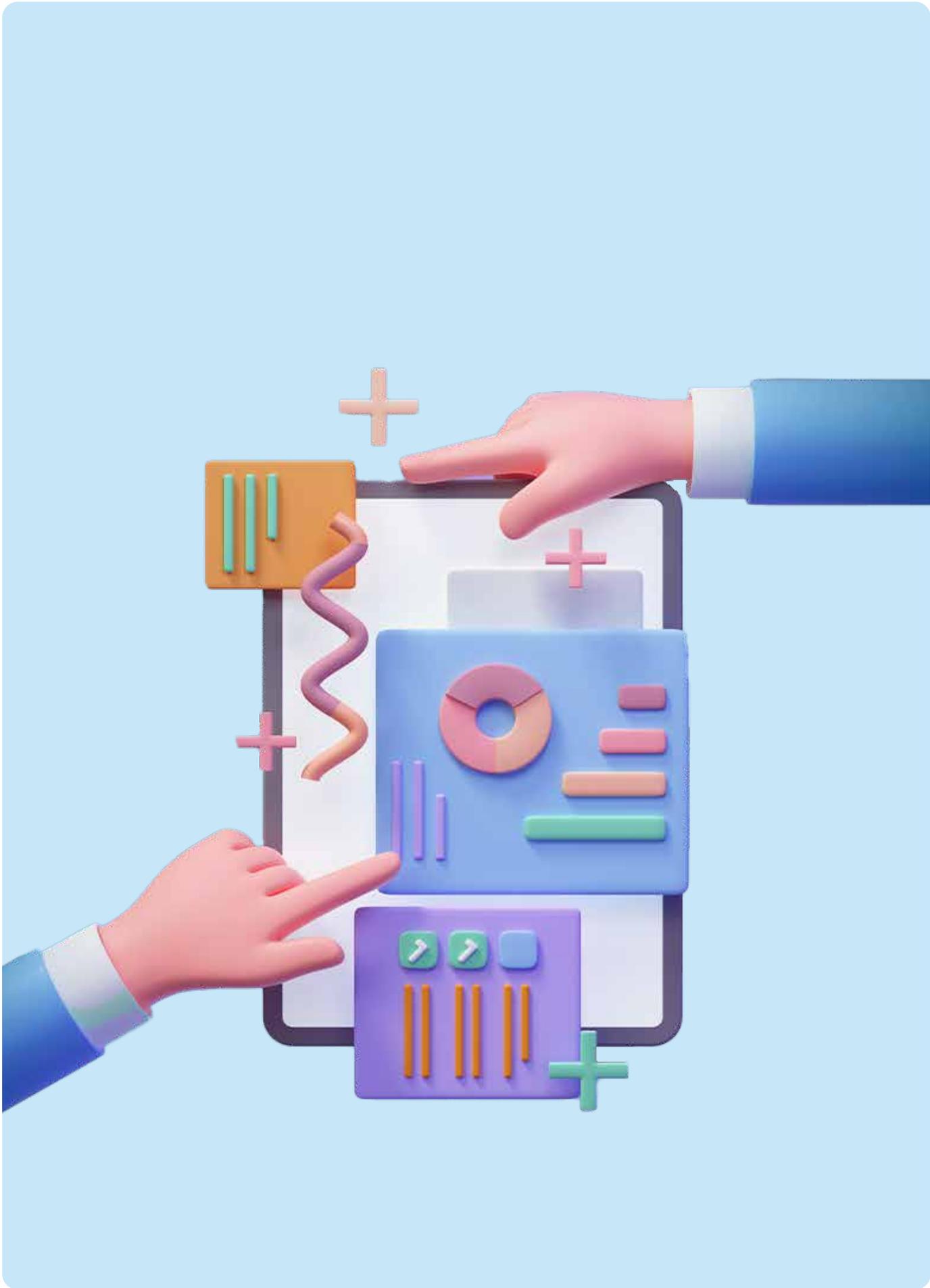
IPO Leadership

In 2021, Halk Invest performed the following IPOs: Doğu Aras Enerji Yatırımları A.Ş., amounting to TL 1.5 billion; Aydem Yenilenebilir Enerji A.Ş., amounting to TL 1.3 billion; Kızılbük Gayrimenkul Yatırım Ortaklığı A.Ş., amounting to TL 948 million; Çan2 Termik A.Ş., amounting to TL 289.9 million; Elite Natural Organik Gıda Sanayi ve Ticaret A.Ş., amounting to TL 195.6 million; and Konya Kağıt Sanayi ve Ticaret A.Ş., amounting to TL 180.7 million. Thus, the Company completed six IPOs with a total transaction volume of TL 4.4 billion.

Ratings Received from the Credit Rating Agency

As a result of JCR Eurasia Rating's assessment on Halk Yatırım 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 "Stable" outlook.

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



Chairman's Message

Trailblazing institution of capital markets

Strong position

Continuing its success by maintaining a strong position in the industry, the Company raised its net profit in 2021 to TL 201.7 million by 7.8%, whereas it boosted it in 2020 by 105.6%.

Esteemed Stakeholders,

Despite the emergence of the coronavirus variants in 2021 that followed the Covid-19 pandemic of 2020, normalization steps came to the fore under the leadership of the Fed; these steps were taken due to high inflation conditions, arising after support had been provided for the recovery of the global economy. With respect to the divergence of growth between developed countries and developing countries, the gap between the US and the rest of the world widened.

Post-Pandemic Growth Recovery in the Domestic Sphere

In 2021, as the pandemic's adverse impacts on the economy gradually subsided with worldwide vaccination efforts, we witnessed a post-pandemic V-shaped recovery followed by a potential growth level. Through a proactive and coordinated implementation of monetary and fiscal measures in the post-pandemic recovery process, the Turkish economy recorded annual growth of 11.0% in 2021 with the support of the base effect after growth of 1.8% in 2020. On

the other hand, the post-pandemic period resulted in "high inflation" in global economies, which disrupted the disinflation process predicted this year in our country. In addition to supportive monetary policies, we saw supply constraints and related cost escalations during the pandemic become evident with the normalization of economies and, in particular, the rise in commodity and food prices continued incrementally in 2021. In Turkey, the annual consumer inflation rose in 2021 and corresponded to 36.08% at the year-end. Nevertheless, thanks to the stable outlook strengthening in the financial markets, and the base effect, we will be able to see the beginning of a downward trend in inflation in the coming period.

The BIST 100 Index, which completed 2021 at 1,857 points, exhibited a consolidating course with remarkable improvement in financial stability policies, inflationary expectations, and positive growth indicators within a framework in which the main determinative element is "the pursuit of return."

We believe that economic reforms and heterodox policy priorities will be applied, that stability in macroeconomic variables will be achieved, and that a more balanced period will commence following the pandemic, based on a strong production + strong export + current surplus policy that aims to enhance investment and employment in the low-interest rate environment set in 2022 as part of the "New Economic Model."

Increase in Corporate Finance Revenues

182%

Increase of 182% in Corporate Finance Revenues

As a leading institution in the capital markets, Halk Invest maintains its growth trajectory through visionary and effective strategies and the broad distribution channel of Halkbank. Carrying on its success by maintaining a strong position in the industry, our Company raised its net profit in 2021 to TL 201.7 million by 7.8%; in 2020, the net profit rose by 105.6%. New products on the brokerage side and corporate finance revenues which increased to TL 61 million by 182%, compared to the previous year, significantly contributed to this profitability. In the same period, Halk Invest raised its shareholders' equity from TL 364.2 million to TL 428.7 million and achieved an average return on equity of 51%.

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.

A Record Number of IPO Transactions in 2021

During the year, fifty-two IPO transactions were conducted. The total amount of IPOs reached TL 21.7 billion. Halk Invest mediated five private placements in 2021, ending the year among the biggest issuers with a placement amount of TL 3.1 billion. The Company plans to continue these share offerings in 2022.

Debt instruments corresponding to a total of TL 21.7 billion were issued throughout the year. Halk Invest's share in all issues is 8.39%. By issuing TL 18 billion of bills/bonds, 9.24% of all issues were undertaken. As for sukuk, 5.8% of all issues were undertaken by issuing TL 3.7 billion.

Also having undertaken the brokerage of new companies whose first issues



were performed in 2021, Halk Invest prepares for the continuance of brokerage activities targeting the offerings of new companies in 2022 as well. In 2021, the Company issued 45 bonds and bills, and 29 sukuk. Halk Invest ranks number three in the market of debt instruments: bills, bonds, and sukuk.

Paycell became our new sukuk customer in 2022. In addition, Emlak Konut, Halk REIT, Halk Leasing, Kayseri Şeker, and Superonline are among our lease certificate customers.

Halk Invest, which accomplished five different capital increases through rights issues, left the year behind with a capital increase amounting to approximately TL 2.3 billion for the aforementioned transactions. Furthermore, the Company continues to renew and develop its advisory and financial services across every process. Our Company carries on taking substantial steps in the fields of capital increase and advisory and financial services with its new projects.

I am certain that we will maintain our position among the leading companies in the capital markets, and that we will take successful steps towards our goals in 2022, completing the year with the desired results. I would like to extend my gratitude to our main shareholder, Halkbank, and to our employees, our esteemed customers, and all our business partners on my behalf and on behalf of our Board of Directors.

Sincerely,

Ali Şöner

Chairman of the Board of Directors

Board of Directors

Ali Şöner

Chairman of the Board of Directors

Ali Şöner was born in Istanbul in 1968. He graduated from Boğaziçi University, Faculty of Economics and Administrative Sciences, Department of International Relations. He worked as an Assistant Specialist and Specialist at Pamukbank TAŞ. Having worked as a Director and Head of Department at Türkiye Halk Bankası A.Ş. since 2004, Şöner has been serving as the Deputy General Manager in charge of Treasury Management and International Banking at Türkiye Halk Bankası A.Ş.

Yusuf Duran Ocak

Vice Chairman of the Board of Directors

Yusuf Duran Ocak was born in Kadirli-Osmaniye in 1966. He graduated from Gazi University, Faculty of Economics and Administrative Sciences, Finance Department. After serving as an Assistant Inspector, Inspector, Deputy Head of the Board of Inspectors, and Department Head at Türkiye Halk Bankası A.Ş., Mr. Ocak has served as the Deputy General Manager in charge of Financial Management and Planning since July 18, 2017.

Bülent Sezgin

Board Member-CEO

Bülent Sezgin was born in Bandırma in 1975. He graduated in 1997 from Middle East Technical University, Department of Political Sciences and Public Administration, and began his professional career in capital markets that same year. He went on to work in various positions in the industry until 2011. In 2011, Mr. Sezgin was appointed as the Manager of the Corporate Finance Department at Halk Invest. He served as the Deputy General Manager in charge of Corporate Finance and Treasury from December 2012. Acting as the CEO of the Company as of October 20, 2020, Mr. Sezgin is also a member of the Board of Directors.

Gökhan Fidan

Board Member

Gökhan Fidan was born in Trabzon in 1975. He completed his Bachelor's degree in Business Administration at Atatürk University Faculty of Economics and Administrative Sciences in 1998. His banking career which started at Halkbank Araklı/Trabzon Branch in 1999 continued under the title of Specialist at Treasury Management between 2003 and 2008. He served as Line Manager at Trabzon Regional Coordination Office from 2008 to 2013. He held the position of Branch Manager at Gümüşhane, Ortahisar, Ordu, and Samsun Commercial Branch between 2013 and 2021. Since July 2021, he has served as the Head of the Department of Tradesmen Banking at Türkiye Halk Bankası A.Ş.

İdris Uçma

Board Member

İdris Uçma was born in Ordu in 1966. He obtained his bachelor's degree in 1991. He started teaching at the Ministry of National Education and the Ministry of Health in the same year. In 1995, he began to work as a consultant in the Turkish Grand National Assembly. He became the Head of the Strategy Department at the Ministry of Energy and Natural Resources in 2003. He served as a board member within various public institutions since 2004. In 2010, he was appointed to the Office of Ministerial Counsellor at the Ministry of Labor. In 2015, he worked as a large projects coordinator at the Ministry of Transport.

Seyit Mehmet Yaydemir
Board Member

Seyit Mehmet Yaydemir was born in Kayseri in 1978. He completed his undergraduate education at Dokuz Eylül University, Department of Business Administration in 2002. He received education at K.İ. Language College, New York. His professional life began when he started to serve as an assistant specialist at Anadolu Finans Kurumu in 2004. Between 2006 and 2012, Mr. Yaydemir worked as Deputy Inspector, Inspector, and Senior Inspector in the Department of the Inspection Board at Türkiye Halk Bankası A.Ş. He was appointed as the Branch Manager at Kurtuluş, Maltepe/Istanbul, Gayrettepe, and Mecidiyeköy Commercial Branches, respectively from 2012 to 2021. He has held office at the Department of Credit Risk Monitoring within Türkiye Halk Bankası A.Ş. since July 2021.

Ahmet Hoşcan
Board Member

Ahmet Hoşcan was born in Kadırlı in 1984. He graduated from Adana Atatürk High School in 2003. He received his undergraduate education at Ankara University, Faculty of Political Sciences, Department of International Relations in 2007. He obtained a Master's Degree in Business Administration from Istanbul Aydın University, Institute of Social Sciences. His banking career started when he began to serve as an Assistant Specialist at Türkiye Halk Bankası A.Ş. in 2008. Later, he worked as a Specialist, Senior Specialist, and Director in the same institution. Between October 2018 and August 2021, he held office as the Line Manager of Liquidity Management in the Department of Asset-Liability Management. He has served as the Head of the Treasury Management Department since August 2021. Besides, Hoşcan is a Board Member of Halk Yatırım Menkul Değerler A.Ş.

Güvenç Usta
Board Member

Güvenç Usta was born in Gölcük in 1973. He completed his undergraduate education at Istanbul University, Department of Business Administration in 1998. He began his career as an Assistant Specialist at Pamukbank in 1998. Mr. Usta worked at the Marketing Department of Güneşli Corporate Branch and Silopi/Şırnak Branch within Türkiye Halk Bankası A.Ş. from 2005 to 2010. After holding office at the Marketing and Credit Departments of Gayrettepe Corporate Branch between 2010 and 2011, he was appointed as the Line Manager at the Department of Corporate Marketing in 2012. He has served in the Department of Cash Management since November 2017. Furthermore, Usta is a Board Member of Halk Yatırım Menkul Değerler A.Ş.

Message from the CEO

Strong infrastructure, quality service

Digitalization is gaining momentum

In 2021, we continued to offer high-value-added products and services to our investors through our consolidated technological infrastructure and rapid adaptation to digitalization – the importance of which was amplified due to the pandemic.

With the hybrid working model, which we had successfully adapted from the beginning of the pandemic period, we effectively ensured that our staff was minimally affected by potential risks and that the quality of service was not disrupted. Our steps towards digitalization during the recent years contributed to our seamless functioning.

In 2021, we continued to offer high-value-added products and services to our investors through our consolidated technological infrastructure and rapid adaptation to digitalization – the importance of which was amplified due to the pandemic. This adaptation process was accompanied by our exponentially increasing robust financial performance. We exerted significant efforts to move our products to the digital medium. 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.

We also broadened our product and service range to reinforce customer loyalty. Works on ensuring the remote acquisition of new customers, which became feasible with the amendment in legislation, continue as part of the Electronic Contract Project.

In 2022, we will focus on activities directed at enhancing customer satisfaction.

In 2022, we aim to complete the first phase of the data analytics study, which was commenced to increase customer satisfaction and efficiency.

Among the project's goals are to achieve faster analysis capability by creating a data warehouse with clean data; to develop screens that will allow investment advisors quick access to customer data from a single screen; to integrate the modules that will advance customer relationship management with the data warehouse; and to develop a market dashboard.

We started work on the development of mobile applications with next generation technologies; these consider the shifting preferences of customer profiles. We plan to complete the project in 2022.

The IVR system continued to support customer representatives with the new functions added. In 2022, we aim to enhance the system by including more functions.

The renewal of the corporate portal and modernization of the Halk Invest corporate website will be focal points.

The Crowdfunding Project was completed and is now in the phase where it can be introduced to customers. The Project was launched with the aim of blazing trails in the industry, following the authorization of intermediary institutions by the Capital Markets Board of Turkey.

Our organizational structure continues to be dynamic in terms of managing investors' expectations. We offer service to our customers with our new product, the Smart Recommendation System (SRS), which aims to provide Halk Invest customers with daily investment advisory recommendations and inform them on investment decisions. 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.

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



We anticipate that 2022 will also be a productive year in which we build upon our successes and achieve the goals we set as a company.

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

Crowdfunding Project

The Crowdfunding Project was completed and is now in the phase where it can be introduced to customers. The Project was launched with the aim of blazing trails in the industry, following the authorization of intermediary institutions by the Capital Markets Board of Turkey.

Executive Management

Bülent Sezgin

Board Member-CEO

He graduated from Middle East Technical University, Department of Political Sciences and Public Administration in 1997, and began his professional career in capital markets that same year. He went on to work in various positions in the industry until 2011. In 2011, Mr. Sezgin was appointed as the Director of the Corporate Finance Department at Halk Invest. He served as the Deputy General Manager in charge of Corporate Finance and Treasury from December 2012. Acting as the CEO of the Company as of October 20, 2020, Mr. Sezgin is also a member of the Board of Directors.

Ali Mutlu

Deputy General Manager

Ali Mutlu was born in Osmaniye in 1968. He received his undergraduate education at Marmara University, Faculty of Economics and Administrative Sciences, Department of Economics, and his graduate education at Oklahoma State University, Department of Economics. Since 1998, he worked in various positions in the field of information technologies in the capital market industry. 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.

Şafak Akdaş

Acting Deputy General Manager

Şafak Akdaş was born in Sivas in 1985. He completed his undergraduate education at Erciyes University, Department of Chemistry, and his graduate education at Cumhuriyet University, Department of Financial Econometrics. He started his career in capital markets in 2010 and held office in various positions. In 2019, Akdaş began to serve as Manager at the Department of Domestic Sales within Halk Yatırım Menkul Değerler A.Ş. He is currently working as the Acting Deputy General Manager in charge of Sales, Investment Advisory, and Operations.

Zafer Mustafaoğlu

Acting Deputy General Manager

Zafer Mustafaoğlu was born in Sivas in 1972. He earned his Bachelor's degree in Management Engineering at Istanbul Technical University and his Master's degree in Business Administration at the same university. After serving at various levels in the field of Corporate Finance and Financial Management since 1995, Mr. Mustafaoğlu began to work as Corporate Finance Director at Halk Yatırım Menkul Değerler A.Ş. in 2020. He is currently holding office as the Acting Deputy General Manager in charge of Corporate Finance and Treasury.

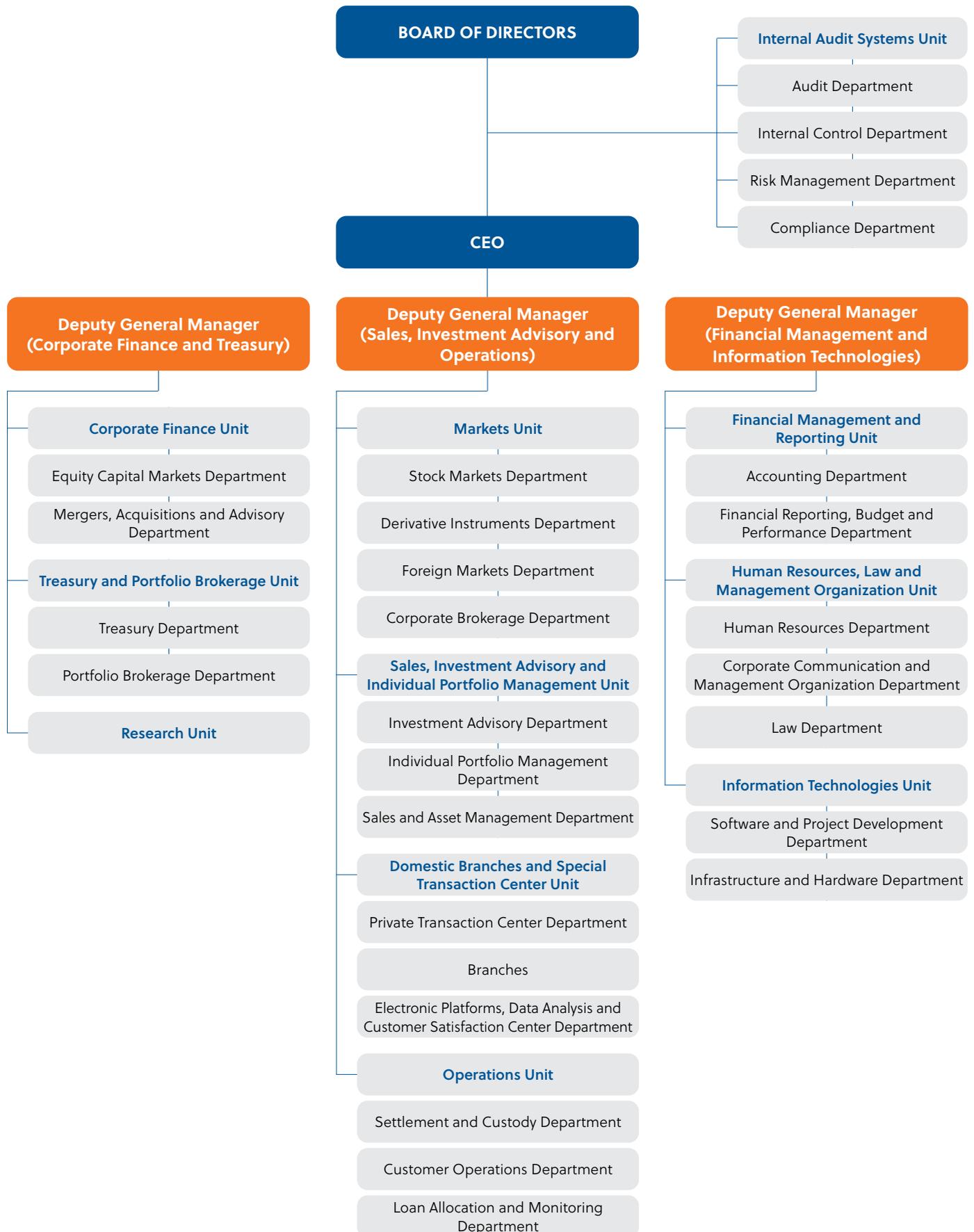
Evren Karabulut

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 served as Deputy General Manager in charge of Sales and Investment Advisory at Halk Yatırım Menkul Değerler A.Ş. from January 2018 to December 31, 2021.

* On March 1, 2022, Şafak AKDAŞ and Zafer MUSTAFAOĞLU started to serve as the Acting Deputy General Manager in charge of Sales, Investment Advisory, and Operations and as the Acting Deputy General Manager in charge of Corporate Finance and Treasury, respectively.

Organizational Chart



Macroeconomic Outlook

Proactive and effective economic measures



V-shaped recovery after pandemic

A switch to a V-shaped recovery was observed under the leadership of developed countries as part of the V-shaped recovery experienced in the post-pandemic period. However, ongoing supply chain disruptions in this process led to a significant escalation in inflation.

As the impacts of the pandemic subsided in 2021, a post-pandemic recovery became evident in global economies. During the year, inflationary pressures came to the fore following the extraordinary liquidity provided by major central banks during the pandemic, but growth indicators also strengthened with the removal of pandemic-related restrictions in parallel with the accelerated vaccination process.

Observations indicate that the critical inflation indicators rose to historically high levels in the United States in 2021, a year of abundant liquidity. Annual inflation, at 7.5% in January, climbed to 7.9% in February, breaking a 40-year record; CPI in December exhibited the biggest rise, with an annual increase of 7% since June 1982. Similarly, the core personal consumption expenditures closely monitored by the Fed corresponded to the highest levels of the

last 40 years with an annual increase of 6.1% in the last month.

A switch to a V-shaped recovery was observed under the leadership of developed countries as part of the V-shaped recovery experienced in the post-pandemic period. In addition to the manufacturing industry, which was relatively less affected by the pandemic, the accelerated normalization and systematic vaccination drove recovery in the service industry. Thus, the growth and employment recovery in the United States, led by the service industry, also displayed a strong outlook. Prior to the pandemic, the total number of people employed in non-agricultural industries in the United States amounted to 152.5 million. However, this figure declined to 130.1 million during the pandemic, although it rose to 148.9 million as of December 2021. Similarly, the unemployment rate, at 3.5% before

the pandemic, climbed to 14.7% in April 2020, at the peak of the pandemic. In December 2021, this rate fell to 3.9%. Persistent supply chain disruptions and the abundance of liquidity in the United States, which is approaching full employment, resulted in serious rises in inflation. In this respect, the Fed continues ringing the bell for the transition to a stricter policy. In the coming months, global markets will closely monitor the “tapering” steps of the Fed’s efforts to control inflation in 2022, and there are indications that the Fed will begin to raise interest rate as of March.

On the European side, it was observed that the build-up in the manufacturing PMI data gained momentum, and that industry-specific indicators reached pre-pandemic levels with the revival seen in the service industry as well as vaccination, while the recovery in post-pandemic economic activities is accelerating. The impact of the upward pressure generated by the expansionary policy of the European Central Bank as from the beginning of the pandemic on inflation will continue to be apparent. CPI data in the Euro Zone, which was below the ECB’s target of 2% until the second half of last year, reached the highest level since 1997, with 5% at the end of the year. In Germany, inflation rose from 5.2% to 5.3% in December, the highest figure in approximately the last 30 years. Although the pace of recovery in the Euro Zone is somewhat slower, it was observed that concerns increased regarding rising inflation. Accordingly, the ECB stated that asset purchases will be reduced faster than planned. Additionally, statements from the president of the European Central Bank, Christine Lagarde, indicating a more hawkish stand by the ECB stood out, as did soaring energy and commodity prices following the Russian invasion of Ukraine.

In China, the economy grew by 8.1%, above the government target of 6% in 2021, although the subsequent months saw inflationary pressures escalate in the country. Similar to China, other developing countries fell under the domination of high inflation. The central banks of numerous developing

countries decided on interest rate hikes successively with each rise in inflation; along with expectations that Fed’s asset purchases will end, and the calendar for reducing the balance sheet will begin in May. It is expected that central banks’ tendency to take such decisions will continue.

In summary, we can see that global central banks have recently issued statements regarding reducing monetary support and have adopted a more stable attitude toward the inflation outlook, as the post-pandemic monetary and financial supports have raised inflationary pressures even as they have a positive effect on growth indicators.

In the Turkish economy, economic activity avoided hitting a bottom, thanks to supportive monetary and financial measures taken in response to the challenging pandemic conditions; these measures commenced in 2020 and continued through 2021. Throughout this process, financial markets, loan channels and the continued healthy operation of companies’ cash flows played a critical role in mitigating the impact of the pandemic. In this context, the Turkish economy recorded annual growth of 11.0% in 2021 with the support of the base effect, after growing by 1.8% in 2020.

In 2021, exports in Turkey strengthened with the decline in the real effective exchange rate and the rising export volume during the post-pandemic normalization process. Furthermore, the slowdown in domestic loan volume compared to the previous year, the reduction in gold import, and the rise in tourism revenues culminated with a drop in the current account deficit. The annualized 12-month current account deficit ended the year with a decrease of USD 20.7 billion in 12 months, compared to the deficit level of USD 35.5 billion at the end of 2020.

In monetary policy, an interest hike of 200 basis points was made in March 2021, due to the ongoing rise of consumer inflation after 2020. The one-week repo auction interest rate went up to 19.00% and remained stable at this

level for six months. From September, following the appointment of a new chairperson, the Central Bank adopted a production and growth-centered approach in its policy focus, and the transition from a tight monetary policy to a more supportive monetary policy was officialized with a policy rate cut of 100 basis points, determined at the MPC (Monetary Policy Committee) meeting in September. With the interest rate cuts of the following months, a total of 500 bp interest rate cuts were realized at the year’s end. At the end of the year, the policy interest rate was 14.00%; the same rate was applicable at the end of March 2022 as well.

An adverse consequence of the coronavirus pandemic on economic indicators was the interruption of the disinflation process predicted in 2020. Annual consumer inflation, which completed 2020 at 14.6%, escalated to 36.08% by the end of 2021, driven by an increase in domestic demand following the opening of businesses, the effect of the exchange rate increase, and rises in global commodity, food and unit costs and pandemic-related supply chain disruptions.

The positive contribution to growth of the net external demand – negative at the end of 2020 – was observed in 2021. It is estimated that such support will continue also in 2022, and that a strong course of production in the real sector will be maintained, thus a more balanced growth outlook is possible.

As a result, we believe that economic reforms and policy priorities will be applied firmly in line with the robust production-strong export-current surplus policy, which aims to increase investment and employment in the low-interest environment of the Turkish economy within the “New Economy Model.” As well, it is anticipated that, in the coming period when the economic impacts of the pandemic have been further mitigated, that stability will be achieved in macroeconomic variables and policy elements, and a more balanced process will commence after the pandemic.

Markets

Steady rise in trading volume and revenues

68% increase

Stock loans extended to the customers against securities collateral rose 68% as of the end of 2021, compared to the same period of the previous year, and reached TL 104.75 million on a daily basis.

2021 Trading Volume of Halk Invest in Equity Market

336.6

TL Million

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.

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.

It is expected that the increase in interest and volume in the Borsa Istanbul Equity Market will continue also in 2022. Halk Invest will play an active part in this process and achieve more productive results. In addition, it is thought that the product range of the company will increase, thereby raising profitability when mediation of the international stocks begins as part of the foreign markets.

Stock Markets Transactions

Halk Invest reached a transaction volume of TL 336,602 million in 2021. The Company ranked 16th among 55 intermediary institutions and had a market share of 2.24%. By the end of 2021, share trading brokerage commission revenues corresponded to TL 190,870 million with a decline of 12.8%, compared to the same period of the previous year.

Margin Trading

Stock loans extended to the customers against securities collateral rose 68% as of the end of 2021, compared to the same period of the previous year, and reached TL 104.75 million on a daily basis.

Loan interest revenue generated from margin trading rose 136.3%, compared to the same period of the previous year, and reached TL 25.45 million. In addition, interest revenue of TL 28.29 million comprised of loan and default interests was generated.

In 2021, 242 Credit Committee Decisions were made for 600 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 5,000,000 are submitted to the credit committee while demands over TL 5,000,000 are approved by the Board of Directors following the approval of the credit committee.

Foreign Market Transactions

Brokerage activities in foreign markets are brokerage operations that are regulated with the permission of the CMB, and allow individual and institutional investors residing in the country to invest in the products (such as stocks, mutual funds, derivatives, and fixed income products) of foreign capital markets.

Reporting to the Halk Invest's Markets Unit, the Foreign Markets Department was established to enable domestic individual and institutional investors to have access to stocks and ETFs (Exchange Traded Funds) traded in the world's leading exchanges such as Frankfurt, London, and New York, via desktop and mobile platforms.

As part of this, an agreement was made with the relevant foreign intermediary institution in 2021. The infrastructure activities were completed as of 2022. While the brokerage activity was restarted, the Paris, Milan and Madrid stock exchanges were added to the scope of the stock exchanges to be opened for trading.

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 contracted across the industry. 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, 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 2021, the number of open accounts is 1,637. The total transaction volume achieved amounts to USD 6,179 million.

In 2021, trading of Dollar /Ounce Silver, Dollar/ Ounce Platinum and Dollar/Ounce Palladium future contracts started in the Futures and Options Market. With the increasing product variety, transaction volume climbed as well.

Possessing a market share of 1.31% with a transaction volume of TL 117,109 million as of the end of 2021, Halk Invest increased its transaction volume by 13.5% compared to the same period of the previous year and ranked 18th among 63 intermediary institutions and banks.

Halk Invest will continue its activities also in 2022 with its larger portfolio in derivatives and leveraged transactions, competitive prices, and its ever-improving technological infrastructure.

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.

In terms of intermediation for debt instruments and sukuk, 2021 was a pretty successful year with respect to issues of debt instruments and sukuk. Transactions amounting to TL 21.7 billion were mediated with a total of 74 issues. This figure accounts for a market share of 8.39%.

The goals of the domestic sales function for 2022 are to expand the corporate customer base as well as develop the customer portfolio with a focus on individual customers through domestic sales and marketing activities and to expand the institutional investor portfolio which contains portfolio management companies, collective investment institutions, insurance companies, retirement funds, foundations, other investment institutions, and qualified individual customers, further. Furthermore, the Company carries on its operations to consolidate and maintain its leading position in the debt instruments market in 2022 and produce the most appropriate solutions for the periodically changing trends and product needs of investors.

Sales, Investment Advisory and Individual Portfolio Management

Solutions meeting the expectations of investors

Quality service

The Individual Portfolio Management service is rendered to qualified individuals and institutions. In 2021, 32 individuals and institutions received service. The managed portfolio size exceeded TL 337 million during the year.

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 analyses, the department continued its activities with projects aiming to contribute to the development of financial literacy.

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, the activities for expanding the use of the Smart Recommendation System and enriching its content went on. Efforts were also made 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.

By 2020, the use of a flexible portfolio optimization robot (Robo-Advisor) which covers all financial assets and develops effective recommendation models for institutional and individual investors started with the aim of advancing the investment recommendation systems offered to customers.



Established in 2021, Istanbul Portfolio Participation Index Equity Fund (IVF) is managed by the Individual Portfolio Management department through the use of portfolio optimization robots called Robo Advisor without any organic intervention in the short, medium, and long-term recommendations completely generated by Halk Yatırım Menkul Değerler A.Ş. Research and Investment Advisory units.

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 started actively in 2019 is rendered to qualified individuals and institutions. In 2021, 32 individuals and institutions received service. The managed portfolio size exceeded TL 337 million during the year.

In 2021, 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 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.

Sales and Asset Management Department

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.

As of 2021, the Asset Management Department obtained a total revenue of TL 7.7 million in 146 Eurobond transactions and revenue of TL 1.5 million in TEFAS funds with an annual increase of 83%.

Asset Management Department assumes a significant role in raising profitability and sales volume in mutual funds and Eurobond markets based on the targets in accordance with the relevant legislation while supporting Halk Invest's activities for equities and futures.

In 2022, the Department aims to have a new mission with financial services and marketing activities and continue its development with new projects tailored to offer special services to qualified investors only. In addition to these services, the organizations which will serve the sales networks in line with the demands of Halkbank and Halk Invest branches will be established.

Domestic Branches and Special Transaction Center

Extensive distribution network, broad customer base



Service to investors

Domestic Branches and the Private Transaction Center Unit have a broad customer base with the advantage of Halkbank's extensive distribution network. Additionally, it provides services to investors with branches located in 9 different cities of Turkey and a Private Transaction Center in the Head Office.

To provide services anywhere in Turkey, Halk Invest Domestic Branches and Private Transaction Center Unit covers the Branches, the Private Transaction Center, and the Electronic Platforms and Data Analysis Department.

The Unit has a broad customer portfolio thanks to its wide distribution network. Additionally, it provides services to investors with branches located in 9 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 2021, 90% of the Equities Market transactions were performed by means of electronic platforms. 95% of investors trade on electronic platforms. More than 100 thousand investors performed transactions on a singular basis whereas an average of over 200 thousand entries were made to the applications.

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.

Halk Invest allows its customers to make transactions with orders such as Profit-Take, Loss-Cut, Conditional Order, and Time Order while providing analysis to them through the internet branch.

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

The investors can easily perform their transactions, follow instant data feeds, and have access to 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 carries on all kinds of activities to offer them a satisfactory investment experience with next-generation platforms and the internet branch. Moreover, the Customer Satisfaction Center plays an active role in ensuring customer satisfaction by promptly resolving customer complaints and the complaints received through the CMB, Cimer, BRSA, and social media.

Research

The right information at the right time



Information support

Halk Invest's Research Unit gives information support which contains the analyses and estimations made by tracking and analyzing the trends of global and domestic macroeconomic dynamics and generating projections regarding the outlook of the economy and financial markets.

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 regarding global and domestic 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 every month, 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.

Regarding the predictability of the global and domestic macroeconomic environment, the Outlook Report, which includes comprehensive and medium-term forecasts is prepared annually. Additionally, Special Analysis Notes are formed for substantial subjects regarding economic and financial dynamics.

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 our investors who began to use the report more effectively.

The SRS (Smart Recommendation System) reviews and communicates new transaction recommendations, market strategies, Smart Charts, and up-to-date news about the shares within the scope of research of the Unit as well as the effect of this news on the stocks. Therefore, the investors are easily provided with the most recent news and developments.

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.

Development studies continue to efficiently operate the SRS (Smart Recommendation System), a digital platform that enables branches and customers to actively track the Model Portfolio in which opinions of the research unit about stocks turn into concrete investment proposals, and obtain maximum benefit.

Treasury and Portfolio Brokerage

Easy access to market, increase in transaction volume

Increase in commission revenues

In 2021, new institutional customers were included in the portfolio on the side of brokerage services and trading volume and commission revenues of the Borsa Istanbul Debt Instruments Market were boosted with the trading platforms offered.

Thanks to the high-tech infrastructure, more individual and institutional customers were reached, access of investors to markets was facilitated and transaction volumes were raised with the competitive prices offered in 2021 throughout the pandemic which prevailed across the world.

Treasury Department

Treasury Department mainly mediates the transactions of institutional and individual customers on Borsa Istanbul Debt Instruments Market while managing the Company's equity and cash flow.

In 2021, new institutional customers were included in the portfolio on the side of brokerage services and trading volume and commission revenues of the Borsa Istanbul Debt Instruments Market were boosted with the trading platforms offered. On the other side, infrastructure developments continued to ensure that customers can make their cash transfers most quickly and reliably possible, and new cash transfer channels were introduced.

In the T+0 application which was put into use in 2018 and offers customers the opportunity to collect the clearing receivables arising from the sale of stocks on the same day, the transaction limits that customers can perform on the internet were increased and it was enabled that the applications reach a wider audience.

On the side of shareholders' equity and cash flow management, the Company's trading transactions of debt instruments issued to the domestic and foreign markets by the public and the private sector within the scope of short-term and long-term expectations, and the projections made have continued with an increasing volume. As the Debt Instruments Market operating within Borsa Istanbul is generally preferred for transactions, the over-the-counter market is also used frequently, especially in foreign currency debt instruments.

Treasury Department aims to obtain a higher market share by increasing the number of individual and institutional customers and the transaction volume reached within the framework of its brokerage activities in 2022.



Portfolio Brokerage Department

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 derivative 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. On the other hand, the Department tracks prices in different markets and performs inter-market arbitrage transactions that generate profits.

In 2021, the Department carried out activities for developing domestic products on behalf of the company based on the derivative transactions in organized and OTC markets, and the needs and demands of the individual/institutional investors, pricing such products and ensuring liquidity. Besides, the diversity of Eurobonds offered to customers and the quality of their prices was enhanced in 2021 by raising the number of Eurobond liquidity provider institutions.

The Department will carry out activities for developing the products of the Derivatives Market and OTC derivatives in line with the needs of individual/institutional customers and continue to support the relevant internal departments and develop arbitrage-oriented products for the portfolio of the company in 2022.

Diversity of Eurobonds

The diversity of Eurobonds offered to customers and the quality of their prices was enhanced in 2021 by raising the number of Eurobond liquidity provider institutions.

Corporate Finance

Competitive performance in new markets

High responsibility

The 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.

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 2021, the Unit mainly performed debt instrument and sukuk issues in line with developments in financial markets.

In 2021, Halk Invest undertook a total of 74 transactions amounting to TL 21.7 billion. Of those transactions, 29 were sukuk issues (TL 3.7 billion) while 45 were conventional debt instrument issues (TL 18 billion). The Company is the market leader with the issues it undertook in 2021.

TLREF Based Issues

In 2021, Halk Invest issued 15 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.

Based on the latest market data for 2021, 205 TLREF-based debt instruments, with a total value of approximately TL 49.2 billion were issued; Türkiye Halk Bankası A.Ş. realized 10.9% of these transactions with 15 transactions amounting to TL 5.4 billion through Halk Invest.

Sukuk issues in 2021

29

IPO Leaderships

In 2021, Halk Invest performed the following IPOs: Doğu Aras Enerji Yatırımları A.Ş. amounting to TL 1.4 billion, Aydem Yenilenebilir Enerji A.Ş. amounting to TL 1.3 billion, Kızılbük Gayrimenkul Yatırım Ortaklığı A.Ş. amounting to TL 948 million, Çan2 Termik A.Ş. amounting to TL 74.3 million, Elite Natural Organik Gıda Sanayi ve Ticaret A.Ş. amounting to TL 195.6 million and Konya Kağıt Sanayi ve Ticaret A.Ş. amounting to TL 180.7 million. Thus, the company completed six IPOs with a total transaction volume of TL 4.3 billion.

Sukuk Issues

In 2021, Emlak Konut REIT, Turkey's largest real estate investment trust, undertook 12 sukuk issues amounting to a total of TL 1.4 billion in which Halk VKŞ participated as the issuer and Halk Invest participated as the intermediary.

Halk Invest undertook one sukuk issue amounting to TL 100 million. The management contract-based issue 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 in Turkey.

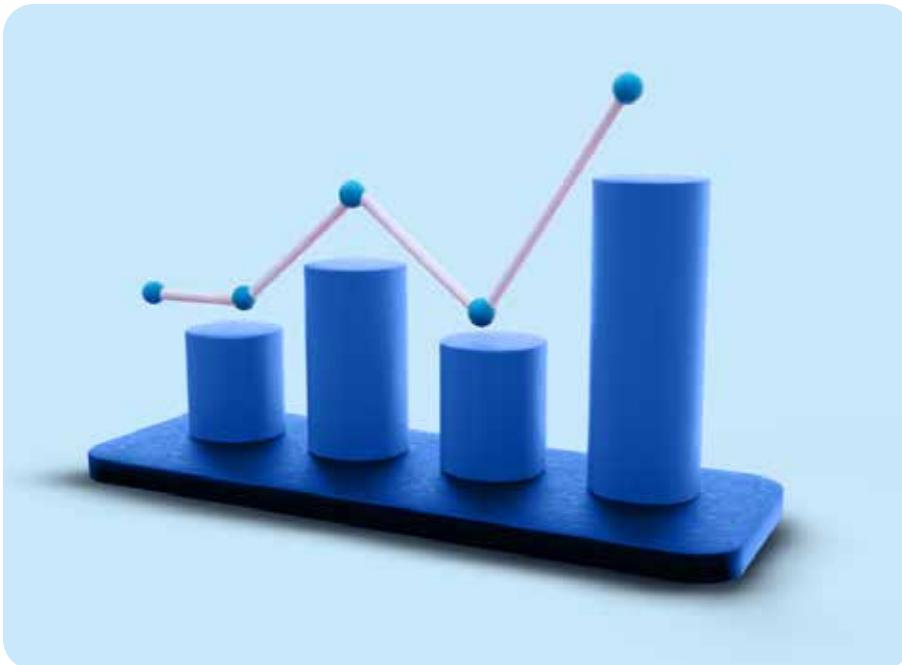
In 2021, Halk Invest performed 11 sukuk issues amounting to a total of TL 1.7 billion, based on a management contract for Halk Gayrimenkul Yatırım Ortaklığı A.Ş., which realized the first sukuk transaction in the real estate investment trust sector and in which Halk Varlık Kiralama A.Ş. (Halk VKŞ) participated as the issuer.

One sukuk issue corresponding to a total of TL 100 million was carried out based on a management contract. Halk Varlık Kiralama A.Ş. (Halk VKŞ) which performed the first sukuk transaction on behalf of Halk Finansal Kiralama A.Ş. operating in financial leasing industry participated as the issuer.

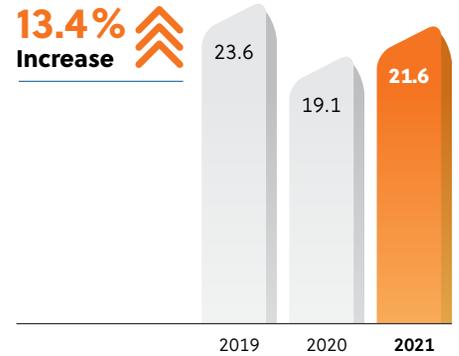
Halk Invest undertook three sukuk issues for Kayseri Şeker, Turkey's second-largest sugar producer, based on management contract and trade in which the asset portfolio was beet sugar (crystal sugar) included to quota A, at the rate of 120% of the issue amount with a total amount of TL 280 million.

Halk Invest made one sukuk issue for PASHA Bank, a bank that engages in corporate and investment banking in Turkey, based on management contracts that include financial leasing transactions compliant with Islamic finance principles, at the rate of 120% of the issue amount with a total amount of TL 40 million. Initiating sukuk activities in 2014, Halk Invest mediated 29 sukuk transactions in 2021 with a total amount of TL 3.7 billion.

In 2022, 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

Quality, safe and fast service with a strong infrastructure

Investments keep going Technological architectural configuration activities and investments were continued to ensure the continuity and incessancy of order transmissions which rose in direct proportion to the number of Halk Invest customers in 2021.

Halk Invest develops infrastructure platforms and monitors the latest technological developments in line with the evolving and changing needs of the finance world. The Unit continues activities to provide high-quality, safe, and fast service to its extensive customer base by investing in the institution's infrastructure.

As part of the infrastructure and hardware investments, technological architectural configuration activities and investments were continued to ensure the continuity and incessancy of order transmissions which rose in direct proportion to the number of Halk Invest customers in 2021. The primary projects implemented within the infrastructure investment policies are as follows:

X-Front Fast Order Transmission Project

Real environment study of the fast order transmission project initiated in 2020 was completed in the second quarter of 2021. With the project, the order transmission screens used by all sales teams were altered, and the order transmission speed and transaction continuity rates were increased.

Relocation of the Head Office Building, Renewal of Data Storage and Backup Systems and Capacity Increase Project

The Head Office building was moved from Okmeydanı to Ataşehir district in February 2021. During the relocation process, the network devices used in the corporate network infrastructure were renewed.

To meet the increasing need for data backup, renewal and capacity increase works were performed in data storage and backup application.

The Project of Structuring The Emergency Response Center

The Emergency Response Center was established in the second quarter of 2021. 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.

IPO Web Portal and Mobile Entry of IPO Bids Project

Participation of customers in the IPO market went up significantly in 2021. In parallel with this increase, works on the infrastructure to ensure that IPO transactions can be carried out through all channels were performed to meet this demand. Works on the corporate IPO web portal and collection of IPO bids on mobile applications were brought to completion. Works for collecting IPO bids via Halkbank mobile application continue.



Within the scope of software and project development activities, the Company carried out the software and project development activities to have a leading position in the industry. The most important software development projects which were put on the agenda in 2021 are as follows: SRS (Smart Recommendation System) project, electronic contracts, SoftOTP project, and renewal of analysis web page project.

Halk Invest makes investments to develop new ways of customer acquisition. The significance of remote transaction contracts rose due to the pandemic. The work which aims to enable Halkbank customers to become Halk Invest customers through electronic contracts obtained from Halkbank virtual and mobile branches were completed and the project was commissioned.

One of the goals for 2022, the efforts for the integration with a platform that allows for making transactions in foreign markets is coming to an end.

As part of the crowdfunding project, portal tests were brought to completion. Project studies regarding CRM and business analytics are underway. As part of the project, it is aimed to develop manager screens, reporting modules, customer tracking dynamics, representative screens, and customer interaction applications.

The Human Resources Performance System prepared with internal resources will be commissioned in the first half of 2022.

The analysis page on the Halk Invest official website was commissioned as a separate website.

It is planned to make investments as part of updating the Company's web page and renewing the Company's portal in 2022. Revision of mobile applications will be performed in line with the strategic objectives of Halk Invest by examining the next-generation mobile applications.

In 2022, it is planned to make investments in information security, compliance with regulations, business continuity, quality management, and infrastructure development projects.

Opportunity to become a customer with electronic contract

The work which aims to enable Halkbank customers to become Halk Invest customers through electronic contracts obtained from Halkbank internet and mobile branches were completed and the project was commissioned.

Internal Audit Systems

Activities compliant with corporate policies



In 2021, Internal Audit Systems were reorganized in a way that covers all points of activity of the Company, to boost the efficiency and effectiveness of internal activities. Halk Invest's Internal Audit Systems Unit consists of the Audit Department, Internal Control Department, Risk Management Department and Compliance Department.

Independence within the Organization was ensured by taking the internal audit activities in the trust of the Board of Directors. Audits are conducted to ensure that activities of all Halk Invest business units, including the head office and external affiliates are carried out in line with the management strategy, efficiently, orderly, and in accordance with applicable laws, rules, regulations, and institutional policies. Periodic reports are submitted to the Board of Directors via the Audit Committee and the Early Detection of Risk Committee.

Audit Department

Independent from the Company's daily activities, Audit Department makes audits of compliance with legislation and Company policies based on the needs of the Management and structure of the Company. Audits of the Unit cover all activities and units of the Company, especially the functioning of the Company's internal control system, and provide an assessment related to these fields. As part of the annual audit program, process audits, branch and department audits, and other examinations are performed.

Internal Control Department

Internal Control Department supervises and controls the Company's organization plan and all principles and procedures regarding it to ensure that all works and transactions of the company, including external affiliates, are performed regularly, efficiently, and effectively in accordance with the management strategy and policies within the framework of the current legislation and rules, and achieving integrity and reliability of the account and record order and acquisition of the information in data system in a timely

and proper manner, and preventing and detecting mistakes, frauds, and irregularities.

Internal control activities are organized and maintained as an integral part of the daily activities in a way that allows monitoring of the identified risks.

Risk Management Department

The general purpose of the Risk Management Department is to form the necessary methods, tools, and application procedures for identifying, measuring, monitoring, and controlling the risks carried by the institution. For this purpose, periodic assessments, measurement, reporting, and control activities are performed on a daily, weekly, and monthly basis.

The department monitors conformance of the activities to management strategies, risk preferences, and portfolio limitations, regularly tracks the risk limits approved by the management, and the risks to which the portfolios tracked are exposed, and generates and implements the risk management system which will measure and control risks, makes the relevant warnings to eliminate the activities posing risk and ensures that necessary measures are taken.

Compliance Department

The Department ensures the implementation of the compliance program set to achieve compliance with national and international regulations and Group policies and procedures within the strategy to combat the laundering of crime revenues and financing of terrorism.

In case possible suspicious transactions are detected, periodical inspections are performed for their notification to the relevant legal authorities as part of MASAK legislation.

Financial Management and Reporting

Transparent and accurate information, permanent value for stakeholders

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 Unit reflects sustainable operating profitability, strong capital structure, and high liquidity 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 2021.

Financial Management and Reporting Unit conducts activities under four main axes:

- 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 Unit is responsible for supervising and monitoring the fulfillment of obligations arising from the Capital Market Legislation, including all kinds of issues related to Corporate Governance Principles, compliance activities, and public disclosure. Within this framework, the interaction and coordination provided with all units of the Company are ensured again 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.

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 2021, 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 2021, all of the commercial activities that occurred between the Company and the parent company or with the affiliates of the parent company were realized under the prevailing market conditions.

Operations

A risk preventive structure ensuring customer satisfaction

Trading service

Halk Invest is the only broker that provides trading services in E-Warehouse Receipt (ELÜS) transactions carried out at TURİB. In this way, the Company allows its customers to trade under TURİB.

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 and customer satisfaction is prioritized along with the corporate risk in workflows.

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
- Credit Operation
- Customer Operation

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. In this way, the Company allows its customers to trade under 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.

In light of the amendments made within the legislation, Halkbank customers were provided with the opportunity to open an investment account electronically. Customer Operations Department actively involved in all stages of the project. In the coming period, it will also be possible to open investment accounts through the Company's electronic platforms as part of the legislation. 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.

Process tests

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

Human Resources, Law and Management Organization

Qualified manpower, processes and systems that improve quality

Participation in the seminar programs

The opportunities to attend training and workshop programs held in and/or out of Turkey are offered to employees of all levels. As well, the Policy endeavors to ensure personal and professional development, taking into consideration each employee's career goals and the required qualifications.

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 opportunities to attend training and workshop programs held in and/or out of Turkey are offered to employees of all levels. 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.





Human Resources developments in 2021 are described below:

Performance Assessment System to be commissioned in 2022 will consist of two parts: Numerical Performance Assessment and Competence Performance Assessment System. The relevant works for the system are underway. The system will be designed by the software team of Halk Invest within the framework of the department's coordination office.

In addition, Halk Invest's Numerical Performance, Competence Performance, and Premium System Legislations will be regulated in line with the practices of Halkbank.

In parallel with the practices of Halkbank, Human Resources Regulation, Disciplinary Regulation, Ethical Principles, Training Legislation, Training Committee Procedure, Allowance Regulation, Work Flow Procedure, and Recruitment Procedures are currently updated.

To boost the belonging of the employees to the Company, interviews will be held with the employees of the Head Office and Branches under the name of "Motivational Interview" and submitted to executive management as a report.

A "Mini MBA" program study was conducted for directors. Furthermore, an "Assessment Study" will be performed for the employees with the title of director and manager.

A talent pool project will be launched to identify the talented people to make conscious choices for the executive staff that Halk Invest will need and to ensure, monitor, and report the development of these people within a certain program.

As a result of the meetings held with the Department of Halk Academy, the "Halk Academy Training System" was introduced to Halk Invest and employees began to receive training. In this way, the Halkbank library is also actively used. We aim to increase the number of training hours per person in line with the goals, objectives, and needs of Halk Invest.

"Personality Inventory" which offers comprehensive reports to ensure that qualified human resources are accurately selected based on the needs of Halk Invest will be applied.

"Digitization Process" was initiated to lower the workload on Human Resources in workflow processes.

The Remote Working Procedure will be updated as part of the current conditions, developments in the world, and needs.

Halk Academy Training System

As a result of the meetings held with the Department of Halk Academy, the "Halk Academy Training System" was introduced to Halk Invest and employees began to receive training.

Human Resources, Law and Management Organization

The corporate website was renewed

Smart Recommendation System

A mobile application, the SRS (Smart Recommendation System) that offers the users new trading recommendations, strategies, Smart Charts, Index 30 company performances, and more every day was developed.

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 2021 are described below:

- A mobile application, the SRS (Smart Recommendation System) that offers the users new trading recommendations, strategies, Smart Charts, Index 30 company performances, and more every day was developed. 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. At Horizon Interactive Awards, one of the world's most prestigious award organizations, the SRS (Smart Recommendation System) was evaluated based on various dimensions such as user experience, creativity, technical infrastructure, and

communication/giving message. The system competed with hundreds of international projects and was granted the "Silver Winner" award in the Mobile Apps – Business category.

- Commercial films were prepared for the promotion of mobile applications which offer mobile solutions to mobile investors and shared on social media channels. Moreover, several contents were prepared to promote the products and services and shared via digital channels.
- The design of the "Analysis" menu on the current website was renewed and the menu became more user-friendly. The commercial films shot to introduce the menu which was launched with the new name "My Analysis" in 2021 were shared on social media channels. With the My Analysis menu, investors can have access to the reports and analyses such as research reports, market news, economic calendar, Analysis of the Derivatives Market, market data, debt instruments, commodities, and quantitative analysis more easily. Potential investors can improve their financial literacy by accessing detailed information about the markets through the user-friendly My Analysis menu. Besides, the company reports automatically issued by using the data of technical and fundamental analyses can be sent to the exclusive e-mail addresses via the My Analysis menu that provides access to analyses and consolidated reports regarding the companies in all markets under the roof of Borsa Istanbul.



- As part of the activities for the renewal of the existing corporate website, a more advanced website structure that reflects and supports the Company's vision, technological investments, and corporate identity is targeted. In this context, the project design was made and steps were taken to implement the new website content in a joint effort with both the advertising agency and the SEO teams. The new website will be introduced to users in 2022.
- As the main sponsor and to contribute 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. To consolidate financial literacy and boost the number of conscious investors, the launch of the microsite ilkborsa.com which starts from Aizanoi and extends to the future of investment was carried out on October 1, 2021. Using the microsite, the milestones such as the world's first known marketplace Macellum, European Stock Exchange, and New York Stock Exchange were described and the history of the stock market was highlighted. Visitors of ilkborsa.com have the opportunity to experience the history of the stock market and to expand their financial repertoire. The number of individual visitors to ilkborsa.com reached 40,000 in a short time. Ilkborsa.com project which won the admiration of participants by appearing at the Crystal Apple and Golden Spider, two of the prestigious advertising festivals of our country, won the "Silver" award in the websites (Banking & Finance Industry) category at Horizon Interactive Awards.
- As part of the International Day of Forests and Forest Week, April 23 National Sovereignty and Children's Day, Mother's Day, World Environment Day, and Father's day, animated movies were prepared. Thanks to these projects, social media, and digital media were used more effectively with the support of the sponsored content and more people were reached. In 2021, the website project halkanzaferi.com which was launched on August 30, Victory Day to honor the heroes of the War of Independence, and the animated movie about Eid-Al-Fitr were granted Golden Awards by Horizon Interactive Awards, one of the world's most prestigious award organizations. The "Investment Advice" movie prepared for Forest Week received the Best Videography Design of 2021 award organized by the world-famous design marketplace, Design Rush.
- 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 participated in the 5th Turkish Capital Markets Congress as the "Golden Sponsor" and communication activities were performed to announce the congress on the online platform as part of the sponsorship.
- The company supported the panel "Role of Capital Market Instruments in the Access of Companies to Financing" held in cooperation with the Turkish Capital Markets Association and the Turkish Exporters' Assembly (TIM) with a spokesperson at the event. Communication activities were performed to announce the panel.
- Website and promotion activities continue as part of the "Fonlabüyüsün.com" project, Turkey's one of the first share-based crowdfunding platforms that will operate within Halk Invest and render brokerage services. Trademark registration procedures of the project were completed.

Corporate Social Responsibility Projects

Contribution to history, nature, and society for a sustainable future



Aizanoi-2 book

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 the Site Director, and published in 2016.

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 invaluable 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. The site of Ancient Aizanoi first discovered in 1824 spreads across a wide area that also encompasses the Macellum structure.

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.

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 the Site Director, and published in 2016.

As the main sponsor and to contribute 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. To consolidate financial literacy and boost the number of conscious investors, starting from Aizanoi and extending to the future of investment the launch of the microsite ilkborsa.com was carried out on October 1, 2021.

Using the microsite, the milestones such as the world's first known marketplace Macellum, European Stock Exchange, and New York Stock Exchange were described and the history of the stock market was highlighted. Visitors of ilkborsa.com have the opportunity to experience the history of the stock market and to expand their financial repertoire. The number of individual visitors to ilkborsa.com reached 40,000 in a short time. ilkborsa.com

project which won the admiration of participants by appearing at the Crystal Apple and Golden Spider, two of the prestigious advertising festivals of our country, won the "Silver" award in the websites (Banking & Finance Industry) category at Horizon Interactive Awards.

We Stand Behind the Champions

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.

Special Projects for Special Days

As part of the International Day of Forests and Forest Week, April 23 National Sovereignty and Children's Day, Mother's Day, World Environment Day, and Father's day, animated movies were prepared. Thanks to these projects, social media, and digital media were

2,000 seedlings

In cooperation with the Republic of Turkey, 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.

used more effectively with the support of the sponsored content and more people were reached. In 2021, the website project halkinzaferi.com which was launched on August 30, Victory Day to honor the heroes of the War of Independence, and the animated movie about Eid-Al-Fitr were granted Golden Awards by Horizon Interactive Awards, one of the world's most prestigious award organizations. The "Investment Advice" movie prepared for Forest Week received the Best Videography Design of 2021 award organized by the world-famous design marketplace, Design Rush.



Compliance with Corporate Governance Principles

PART I – SHAREHOLDERS

SHAREHOLDER 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 Reports are periodically audited by an Independent Auditor who is appointed by the Board of Directors and approved by the General Assembly. Independent audit for 2021 is carried out under the responsibility of 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 appointment of an independent auditor is not regulated in the Company's Articles of Association.

INFORMATION ON GENERAL ASSEMBLY MEETINGS

The Company's 2020 General Assembly Meeting was held on March 30, 2021, without announcement or invitation ceremony in accordance with Article 416 of the Turkish Commercial Code No: 6102. At the meeting, it was decided that a total of TL 134,000,000.00 will be paid to shareholders; including TL 5,200,000.00 as 1st dividend and TL 128,800,000.00 as 2nd dividend,

and that Company capital will be increased from TL 104,000,000.00 to TL 150,000,000.00.

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

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 PAYMENT 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 March 30, 2021, TL 134,000,000.00 were paid to shareholders as dividends on March 31, 2021.

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

With the resolution of the Company's Board of Directors dated March 09, 2021, and no. 2021/19, it was decided unanimously about the Articles of Association for which the necessary permissions were attained with the letter of Capital Markets Board dated March 19, 2021, no. E-32992422-205.01.01-3697 and the letters of the Republic of Turkey, Ministry of Trade, Directorate General of Domestic Trade dated March 22, 2021, no. E-50035491-431.02-00062538445 and dated March 25, 2021, no. E-50035491-431.02-00062675491 that,

- article 4 titled "Central Organizations and External Affiliates of the Company" to ensure the change in the Company's Head Office address,
- article 6 titled "Capital and Type of Shares" to ensure that a total of TL 46,000,000.00 comprised of TL 10,950,851.07, TL from the 2nd dividend, 24,301,937.11 TL from the extraordinary reserves account, and TL 10,747,211.82 from the retained earnings, are added to the capital by distributing to shareholders as bonus share, Company capital is increased from TL 104,000,000.00 to TL 150,000,000.00 and Group A-B stock distinction will be eliminated,
- article 8 titled "Capital Increase" due to the absence of Group A-B stock distinction will be changed.

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

Material Disclosures made by the company as of the end of 2021 were 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 Invest Stock Exchange / Halk Invest Mobile iOS/Android	halkfx.com	Smart Recommendation System (SRS) iOS/Android	Fx Platform Meta trader Mobile
Market Data	√	√	√	√		√
Research Reports	√	√	√	√	√	
Our Financial Statements	√			√		
About Us	√			√		
Emergency Plan	√	√		√		
Portfolio Status	√	√	√			√
Common Stock Trend	√	√	√			
Viop Trade	√	√	√			
I. Fund Trade	√	√	√			
FX Trade						√
Foreign Market Transactions						

On the other hand, investors can monitor the market developments through the Company's Facebook and Twitter pages.

Compliance with Corporate Governance Principles

DISCLOSURE OF THE ULTIMATE CONTROLLING SHAREHOLDER/S

The Company's shareholder is a legal entity.

PUBLIC DISCLOSURE OF INSIDERS

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

PART III - STAKEHOLDERS

INFORMING THE STAKEHOLDERS

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

STAKEHOLDERS' PARTICIPATION IN MANAGEMENT

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

Several models or mechanisms were established for the participation of stakeholders in management.

Besides, opinions of employees on some issues of general interest are directly received. In this way, direct involvement of employees in several resolutions to be taken is ensured.

Also, opinions of the stakeholders are taken via the "Contact Us" tab on the website, social media, and similar alternative means.

Customer satisfaction surveys are conducted during the period as well.

HUMAN RESOURCES 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 in January every year, and applied to the employees' salaries in accordance with the periodic performance indicators of the employee.

The Training Policy is designed to 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 employees for the positions to be filled.

ORGANIZATIONAL CHART

The organization chart of the company is available at https://www.halkyatirim.com.tr/img/OrganizasyonSemasi_2021.pdf.

INFORMATION ABOUT RELATIONS WITH CUSTOMERS AND SUPPLIERS

Customer Satisfaction Center Department was established as per the resolution of the Company's Board of Directors dated July 07, 2021, no. 2021/57. The Department 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.

To promote the Company's products and services and increase 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.

CODE OF ETHICS

In accordance with the regulations of our main shareholder Türkiye Halk Bankası A.Ş. and the Turkish Capital Markets Association, the Code of Ethics is established and presented to employees in written form.

PART IV – BOARD OF DIRECTORS

STRUCTURE AND COMPOSITION OF THE BOARD OF DIRECTORS AND INDEPENDENT MEMBERS

Name-Surname	Position
1- Ali ŞÖNER	Chairman of the Board of Directors
2- Yusuf Duran OCAK	Vice Chairman of the Board of Directors
3- Güvenç USTA	Board Member
4- Gökhan FİDAN	Board Member
5- İdris UÇMA	Board Member
6- Seyit Mehmet YAYDEMİR	Board Member
7- Bülent SEZGİN	Board Member and CEO

There are no Independent Members in the Board of Directors.

Compliance with Corporate Governance Principles

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."

VISION, MISSION, CORPORATE VALUES AND STRATEGIC OBJECTIVES OF THE COMPANY

Pioneering the structuring of new products in the capital markets, the Company manages projects of strategic importance to adapt quickly to the impact of developing technologies on financial markets by effectively using Halkbank's well-qualified distribution channels.

Our Vision

Becoming a leading and reputable intermediary institution that fulfills all requirements of financial markets and pays the utmost respect to human values with a strong infrastructure and a wide product range.

Our Mission

Becoming a reference point in capital markets and one of Turkey's leading intermediary institutions opening up to the world that – through an efficiency-based business model – establishes trustworthy and sustainable customer relations, adheres to ethical values, shares up-to-date and objective information with investors, pioneers in technological innovation, and effectively utilizes its distribution channels.

Our Corporate Values

Our corporate values are available on <https://www.halkyatirim.com.tr/kurumsal-degerler>

STRATEGIC OBJECTIVES OF THE COMPANY - ASSESSMENT OF ACTIVITIES

Strategic objectives set for the activities of Halk Invest and its budget targets are submitted to the Board of Directors. The company reached its pre-tax profit target by the end of 2021.

As of the end of 2021, there were no significant legislative changes that could affect the Company's strategic objectives.

DUTIES AND RESPONSIBILITIES OF BOARD MEMBERS AND MANAGERS

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

"Representation and management of the Company 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 Assembly of Shareholders.

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

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

ACTIVITY PRINCIPLES OF THE BOARD OF DIRECTORS

The Board of Directors meets monthly or in interim periods when necessary, and evaluates the extent that the Company has reached its objectives, while evaluating its activities and past performance. The agenda of the Board of Directors is created within the context of the proposal offered by the Company management. The Board of Directors took 119 decisions in the 01/01/2021 – 31/12/2021 activity period. None of these decisions received any dissenting views since Board Members were informed in advanced.

The Members' attendance rate at meetings was 99.9%.

DISTRIBUTION OF DUTIES OF THE BOARD OF DIRECTORS

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	Ali ŞÖNER	30.07.2021 - 2021/63	Resolution of the Board of Directors
Vice Chairman of the Board of Directors	Yusuf Duran OCAK	30.03.2021 - 2021/30	General Assembly
Credit Committee Chairman and Members of the Credit Committee as per CMB Communiqué on "Margin Trading, Short Sales and Lending and Borrowing of Securities" (Serial: V, No: 65)	Ali ŞÖNER	30.07.2021 - 2021/64	Resolution of the Board of Directors
Corporate Governance Committee Chairman and Members of the Committee as per CMB II.17.I. Corporate Governance Principles 4.5 "Committees Formed within the Board of Directors"	Yusuf Duran OCAK	30.03.2021 - 2021/32	Resolution of the Board of Directors
Audit Committee Chairman and Members of the Committee as per CMB II.17.I. Corporate Governance Principles 4.5 "Committees Formed within the Board of Directors"	Yusuf Duran OCAK	30.03.2021 - 2021/32	Resolution of the Board of Directors
Early Risk Detection Committee Chairman and Members of the Committee as per CMB II.17.I. Corporate Governance Principles 4.5 "Committees Formed within the Board of Directors"	Güvenç USTA	30.03.2021 - 2021/32	Resolution of the Board of Directors
Board Member in Charge of Internal Control 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	30.03.2021 - 2021/32	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)	Güvenç USTA	30.03.2021 - 2021/32	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	30.03.2021 - 2021/32	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 Crime Revenues and Financing of Terrorism"	Güvenç USTA	30.03.2021 - 2021/32	Resolution of the Board of Directors
Board Member In Charge of Public Disclosure Form 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	30.03.2021 - 2021/32	Resolution of the Board of Directors

Compliance with Corporate Governance Principles

PROHIBITION OF MAKING TRANSACTIONS WITH THE COMPANY AND COMPETITORS

In the activity period from 01.01 2021 to 31.12.2021, the prohibition of making transactions with the Company and competitors became effective for the Board Members.

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

To ensure that the Board of Directors fulfills its duties and responsibilities properly, it was decided in the Articles of Association that regulations of the Capital Markets Board on corporate governance will be followed for the transactions deemed significant for the implementation of Corporate Governance Principles, the transactions of the company with the related parties and the transactions about giving guarantees, pledges and mortgages on behalf of the third parties, and that number and qualifications of the independent members who will serve on the Board of Directors will be determined based on the regulations of the Capital Markets Board on corporate governance.

At Halk Invest, the Audit Committee, Corporate Governance Committee, and Early Detection of Risk Committee are serving as part of the Corporate Governance Principles.

AUDIT COMMITTEE

Name-Surname	Position	Term of office
1- Yusuf Duran OCAK	Chairman - Vice Chairman of the Board of Directors	March 18, 2021 - on Duty
2- Güvenç USTA	Member - Board Member	March 18, 2021 - on Duty
3- Gökay YILMAZ	Member	March 18, 2021 – December 03, 2021
4- Erkin ÇAKMAK	Member	December 03, 2021 - on Duty

The Audit Committee meets at least four times a year, at least every three months. Results of the Committee are enclosed in the minutes and presented to the Board of Directors. The Committee met nine times as of the end of 2021.

CORPORATE GOVERNANCE COMMITTEE

Name-Surname	Position	Term of office
1- Yusuf Duran OCAK	Chairman - Vice Chairman of the Board of Directors	March 18, 2021 - on Duty
2- Filiz AVUKAT	Member - Board Member	March 18, 2021 – March 30, 2021
3- Ahmet ERDOĞAN	Member - Board Member	March 30, 2021 – July 30, 2021
4- Gökhan FİDAN	Member - Board Member	July 30, 2021 - on Duty
5- Ahmet Kutluhan KALYONCU	Member	March 18, 2021 - on Duty

The Corporate Governance Committee assumed the responsibilities of the Nomination and Remuneration Committees as well. The Committee met three times as of the end of 2021.

EARLY DETECTION OF RISK COMMITTEE

Name-Surname	Position	Term of office
1- Güvenç USTA	Chairman - Board Member	March 18, 2021 - on Duty
2- Ahmet ERDOĞAN	Member - Board Member	March 18, 2021 – July 30, 2021
3- Gökhan FİDAN	Member - Board Member	July 30, 2021 - on Duty
4- Gökay YILMAZ	Member	March 18, 2021 – December 03, 2021
5- Erkin ÇAKMAK	Member	December 03, 2021 - on Duty

Early Detection of Risk Committee meets at the Company's Head Office at least six times a year, every two months. Results of the Committee are enclosed in the minutes and presented to the Board of Directors.

The Reporter of the Board of Directors also conducts the work of the committees. The other committees which are structured under the chairmanship of a responsible Board Member determined by the decision of the Board of Directors meet whenever necessary.

FINANCIAL RIGHTS, CASH, AND IN-KIND BENEFITS PROVIDED TO 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 the financial rights, cash, and in-kind benefits, insurances, and similar guarantees provided to Board Members and executive managers correspond to TL 5,079,808.33.

FINANCIAL RIGHTS, CASH, AND IN-KIND BENEFITS PROVIDED TO EMPLOYEES

Within the scope of the Human Resources Regulation;

Financial rights, cash, and in-kind benefits, insurances, and similar guarantees are provided to the employees of the Company.

As of the end of 2021, 157 employees are working at the Company.

INFORMATION ON THE DONATIONS MADE DURING THE YEAR

A total of TL 4,200 was donated to the Turkish Red Crescent by the end of 2021.

INFORMATION ON THE COMPANY'S AFFILIATES AND OWNERSHIP STRUCTURE

None.

INFORMATION ON THE 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.

Compliance with Corporate Governance Principles

EXPLANATIONS ON SPECIAL AUDITS AND PUBLIC 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 THE RELATED PARTY TRANSACTIONS

As of the end of 2021, 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 2021, all of the commercial activities that took place between our Company and our parent company or with the affiliates of the parent company were realized under the prevailing market conditions.

Related Party Transactions

	31.12.2021
Cash and cash equivalents	
Türkiye Halk Bankası A.Ş.	309,191,751
-Term deposits	227,051,694
-Demand deposits	82,140,057
Financial investments	
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	896,830
-Stocks	896,830
Total	310,088,581
Trade receivables from related parties	31.12.2021
Türkiye Halk Bankası A.Ş.	388,490
Total	388,490
Trade payables to related parties	31.12.2021
* Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş.	2.471
Total	2.471

* Shares of Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. were transferred to the main shareholder of the Company, Türkiye Halk Bankası A.Ş. as per the resolution of the Board of Directors dated March 08, 2021, no. 2021/16.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

FINANCIAL STATEMENTS AS OF

31 DECEMBER 2021 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 2021, 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 of 31 December 2021, 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 auditing issued by Capital Markets Board and 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 25, we emphasize the following matters from which the Parent Bank may be affected:

On October 15, 2019, the US Department of Justice, United States Attorney Southern District of New York indicted the Parent Bank in the Southern District of New York Court (“District Court”) for the alleged violations of Iranian sanctions. This criminal case is pending at the District Court. The proceedings are stayed as the Parent Bank requests an appeal on the “Foreign Sovereign Immunity Act” (“FSIA”) decision. The Parent Bank is currently at the stage of appealing the decision in the US Supreme Court.

In addition, a civil case was filed against the Parent Bank on March 27, 2020 with a claim for damages by plaintiffs in the Southern District of New York Court “on the grounds that they (plaintiffs) could not collect their judgments from Iran due to the violations of sanctions.” District Court dismissed the case. Plaintiffs have appealed the decision to the US Court of Appeals for the Second Circuit. The appeal is pending.

At this stage, the Parent Bank’s Management stated that there is no penalty, compensation, sanction or other measure arising from the pending criminal and civil cases against the Parent Bank. There is an uncertainty if any decisions will be made 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. However, the above mentioned matters do not affect the opinion provided by us.



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 data-bbox="270 845 816 879">Revenue recognition</p> <p data-bbox="270 920 816 1129">The Company has revenue amounting to total TL 4,444,278,620 recognized under “revenue” in its statement of profit or loss and other comprehensive income for the period 1 January – 31 December 2021. The related income is disclosed in Note 2 and 17.</p> <p data-bbox="270 1170 816 1456">Due to the excessive amount of the line item of revenue 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 data-bbox="816 845 1390 1456">Within the scope of the audit procedures applied by us related to the revenue recognition as a part of our audit procedures, the revenue process of the Company is understood and the design and application of internal controls applied by the management for recognition of revenue according to the relevant accounting accounting policies were tested. The total calculated trading volume of commissionary income was confirmed by independent sources. A detail test was applied on brokerage commissions. In addition, through the sample selected from the transactions realized in the accounting period, these transaction details were tested in comparison with the relevant supporting documents in order to confirm that the income amount is recognized properly.</p>

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

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

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

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



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

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

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

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

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

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



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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January - 31 December 2021 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

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

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

DRT BAĐIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MŞAVİRLİK A.Ő.
Member of DELOITTE TOUCHE TOHMATSU LIMITED

Mjde Aslan
Partner

İstanbul, 14 February 2022

CONTENTS

	<u>Page</u>
STATEMENT OF FINANCIAL POSITION	78
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	79
STATEMENT OF CHANGES IN EQUITY	80
STATEMENT OF CASH FLOWS	81
Notes to the Financial Statements	82-136
Note 1 Organization and operations of the Company	82
Note 2 Basis of presentation of the financial statements	83-102
Note 3 Cash and cash equivalents	103
Note 4 Financial investments	104
Note 5 Related party disclosures	105-107
Note 6 Trade receivables and payables	108
Note 7 Other non-current assets	109
Note 8 Other receivables and payables	109-110
Note 9 Prepaid expenses	110
Note 10 Property, plant and equipment	111
Note 11 Intangible assets	112
Note 12 Right-of-use assets and lease payables	113
Note 13 Provisions, contingent assets and liabilities	113-114
Note 14 Provisions for employee benefits	115-116
Note 15 Tax assets and liabilities	116-118
Note 16 Shareholders' equity	118-119
Note 17 Revenue and cost of sales	120
Note 18 General administrative and marketing expenses	121
Note 19 Expenses by nature	122
Note 20 Other income and expenses from operating activities	122
Note 21 Finance income and expenses	123
Note 22 Fees for services received from independent audit firm	123
Note 23 Nature and level of risk derived from financial instruments	124-132
Note 24 Financial instruments	133-134
Note 25 Other matters	134-135
Note 26 Events after the reporting period	136

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Statement of Financial Position as at 31 December 2021

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

	Notes	Audited 31 December 2021	Audited 31 December 2020
ASSETS			
Current Assets			
Cash and cash equivalents	3	318,368,157	263,972,609
Financial investments	4	30,450,138	37,860,428
Trade receivables	5-6	373,817,904	295,216,440
- Trade receivables from related parties	5	388,490	-
- Trade receivables from third parties	6	373,429,414	295,216,440
Other receivables	8	35,974,233	36,597,214
Prepaid expenses	9	6,664,697	6,531,057
TOTAL CURRENT ASSETS		765,275,129	640,177,748
Non-current assets			
Financial investments	4	2,426,584	6,783,100
Property, plant and equipment	10	12,010,945	5,044,707
Intangible assets	11	1,136,349	1,443,133
Other non-current assets	7	4,566,493	3,450,502
Right-of-use assets	12	7,187,819	3,385,713
Deferred tax asset	15	5,709,491	1,467,793
TOTAL NON-CURRENT ASSETS		33,037,681	21,574,948
TOTAL ASSETS		798,312,810	661,752,696
LIABILITIES			
Current liabilities			
Trade payables	5-6	307,236,461	260,181,449
- Trade payables to related parties	5	2,471	2,185
- Trade payables to third parties	6	307,233,990	260,179,264
Other payables	8	18,704,588	12,043,570
Current tax liability	15	22,423,991	13,275,678
Short-term provisions		8,489,039	5,061,751
- Short-term provisions for employee benefits	14	6,384,647	4,493,644
- Other short-term provisions	13	2,104,392	568,107
Finance lease liabilities	12	4,938,062	1,871,734
TOTAL CURRENT LIABILITIES		361,792,141	292,434,182
Non-current liabilities			
Long-term provisions		4,776,557	3,198,577
- Long-term provisions for employee benefits	14	4,776,557	3,198,577
Finance lease liabilities	12	3,026,290	1,875,969
TOTAL NON-CURRENT LIABILITIES		7,802,847	5,074,546
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	150,000,000	104,000,000
Restricted reserves appropriated from profit		73,246,202	33,087,795
Accumulated other comprehensive income (expenses) that will not be reclassified to profit or loss		1,509,509	4,692,005
- Gains (losses) on revaluation and remeasurement	4	2,315,362	5,497,858
- Other gains (losses)		(805,853)	(805,853)
Prior years' profit or losses		2,305,761	35,368,414
Net profit or loss for the period		201,656,350	187,095,754
TOTAL EQUITY		428,717,822	364,243,968
TOTAL LIABILITIES AND EQUITY		798,312,810	661,752,696

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 2021

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

	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
PROFIT OR LOSS			
Revenue	17	4,444,278,620	6,129,744,982
Cost of sales	17	(4,112,333,435)	(5,809,554,172)
GROSS PROFIT (LOSS) FROM BUSINESS OPERATIONS		331,945,185	320,190,810
Receivables from Financial Activities	17	-	-
Payables from Financial Activities	17	(3,786,344)	(1,467,066)
GROSS PROFIT (LOSS)		328,158,841	318,723,744
General administrative expenses	18	(77,300,100)	(53,144,434)
Marketing expenses	18	(58,340,022)	(38,075,958)
Other income from operating activities	20	5,071,735	1,914,335
Other expenses from operating activities	20	(13,889,655)	(1,015,984)
OPERATING PROFIT (LOSS)		183,700,799	228,401,703
Finance income	21	187,187,693	106,965,356
Finance expenses	21	(102,359,022)	(95,134,113)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		268,529,470	240,232,946
Tax (expense) income from continuing operations			
- Current tax (expense) income	15	(71,114,818)	(55,123,687)
- Deferred tax (expense) income	15	4,241,698	1,986,495
PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		201,656,350	187,095,754
PROFIT (LOSS) FOR THE PERIOD		201,656,350	187,095,754
OTHER COMPREHENSIVE INCOME		(3,182,496)	1,887,311
Items that will not be reclassified to profit or loss			
Other comprehensive income items that will not be reclassified as other profit or loss	4	(3,182,496)	1,887,311
TOTAL COMPREHENSIVE INCOME (EXPENSE)		198,473,854	188,983,065

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 2021

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

	Notes	Share capital	Gains on revaluation and reclassification	Accumulated other comprehensive income that will be reclassified subsequently to profit or loss	Other gains/losses (*)	Retained earnings		Equity
						Restricted reserves appropriated from profit	Net profit/(loss) for the period	
Balances as of 1 January 2020		104,000,000	-	2,804,694	8,933,823	23,453,751	90,984,244	230,176,512
Transfers		-	-	-	-	9,634,044	(90,984,244)	-
Profit (loss) for the period		-	-	-	-	-	187,095,754	187,095,754
Other comprehensive income(expenditure)		-	-	1,887,311	-	-	-	1,887,311
<i>Revaluation and reclassification gains</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	35,368,414	33,087,795	187,095,754	364,243,968
Balances as of 1 January 2021		104,000,000	-	4,692,005	35,368,414	33,087,795	187,095,754	364,243,968
Transfers		-	-	-	146,937,347	40,158,407	(187,095,754)	-
Profit (loss) for the period		-	-	-	-	-	201,656,350	201,656,350
Other comprehensive income(expenditure)		-	-	(278,151)	-	-	-	(278,151)
<i>Revaluation and reclassification gains</i>		-	-	<i>(278,151)</i>	-	-	-	<i>(278,151)</i>
Increase / (decrease) due to other changes		-	-	(2,904,345)	-	-	-	(2,904,345)
Total comprehensive income (expense)		-	-	(278,151)	-	-	201,656,350	201,378,199
Dividend payment	16	-	-	-	(134,000,000)	-	-	(134,000,000)
Capital increase	16	46,000,000	-	-	(46,000,000)	-	-	-
Balances as of 31 December 2021		150,000,000	-	1,509,509	2,305,761	73,246,202	201,656,350	428,717,822

(*) The shares of Halk Faktoring A.Ş. and Halk Financial Leasing A.Ş., which are among the share investments of the Company, have been transferred to the main shareholder of the Company, Türkiye Halk Bankası A.Ş., on 6 September 2021.

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 2021

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

	Notes	Audited 1 January- 31 December 2021	Audited 1 January- 31 December 2020
A. Cash flows from operating activities		277,914,840	244,105,393
Profit (Loss) for the Period		201,656,350	187,095,754
Adjustments to reconcile net profit (loss) for the period:			
Adjustments related to depreciation and amortization expenses	10-11-12	7,277,414	3,366,749
Adjustments related to provisions		21,973,563	4,789,323
-Adjustments related to provision for doubtful receivable expense	6	13,059,334	262,898
-Adjustments related to provision for retirement pay expense	14	2,338,566	1,142,241
-Adjustments related to provision for unused vacation expense	14	1,114,371	538,445
-Adjustments related to provision for personnel dividend premium	14	3,925,007	3,069,648
-Adjustments related to provision for payables expense	13	1,536,285	(223,909)
Adjustments related to tax (income) expense		66,873,120	53,137,192
-Adjustments related to current tax expense	15	71,114,818	55,123,687
-Adjustments related to deferred tax (income) expense	15	(4,241,698)	(1,986,495)
Adjustments related to interest income and expenses		(76,226,029)	(36,833,730)
-Adjustments related to interest income	21	(160,774,649)	(90,091,565)
-Adjustments related to interest expenses	21	84,548,620	53,257,835
Other adjustments related to profit (loss) reconciliation		(11,887)	(765,910)
-Dividend income from associates		(11,887)	(765,910)
Adjustments related to Losses (Gains) Due to Disposals of Associates, Joint Ventures and Financial Investments or Changes in Shares		(2,904,346)	-
Changes in working capital			
Adjustments related to increase/decrease in trade receivables		(88,382,346)	(170,533,748)
Adjustments related to increase/decrease in trade payables		47,055,012	136,044,396
Increase/decrease in financial investments		7,410,290	17,648,233
Adjustments related to other increase/decrease in working capital		2,015,997	6,761,624
Adjustments related to increase/decrease in lease payables		414,543	115,427
Cash flows from operating activities			
Interests received		156,626,738	90,111,372
Dividends received		11,887	765,910
Tax (payments) returns	15	(61,966,505)	(44,640,413)
Payments related to provision for employee benefits	14	(3,908,961)	(2,956,786)
B. Cash flows from investing activities:		(6,292,700)	9,970,507
Cash inflows from sale of other long-term assets		-	1,887,311
Cash inflows from sale of financial assets		-	12,334,846
Cash Inflows Due to Share Sale or Capital Decrease or Associates and/or Joint Ventures		4,078,385	-
Cash inflows from the sale of property, plant and equipment	10	214,750	-
Cash outflows from the purchase of property, plant and equipment	10	(10,110,251)	(3,165,774)
Cash outflows from the purchase of intangible assets	11	(475,584)	(1,085,876)
C. Cash flows from financing activities		(218,541,343)	(107,789,467)
Interest paid		(84,541,343)	(52,873,858)
Dividends paid	16	(134,000,000)	(54,915,609)
Net increase (decrease) in cash and cash equivalents before the effect of foreign currency translation differences (A+B+C)		53,088,797	146,286,433
D. Effects of foreign currency translation differences on cash and cash equivalents		10,487,589	1,659,192
Net increase (decrease) in cash and cash equivalents (A+B+C+D)		63,568,386	147,945,625
E. Cash and cash equivalents at the beginning of the period	3	179,500,374	112,707,892
Cash and cash equivalents at the end of the period (A+B+C+D+E)	3	243,068,760	260,653,517

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 2021

(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 2020: 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 Barbaros Mah. Mor Sümbül Sk. WBC İş Merkezi Blok No:9 İç Kapı No:21 Ataşehir / İstanbul.

As of 31 December 2021, the Company has 157 employees (31 December 2020: 138).

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

	31 December 2021	31 December 2020
Türkiye Halk Bankası A.Ş.	100.00%	99.96%
Other	-	0.04%
Total	100.00%	100.00%

Approval of the Financial Statements:

Board of Directors approved the financial statements and delegated authority for publishing it on 14 February 2022.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

(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 footnotes have been presented in accordance with the formats announced by the POA on 15 April 2019 with the "Announcement on TFRS Taxonomy" and with the CMB's announcement on 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. In determining the historical cost, the fair value of the amount paid for the assets is generally taken as the basis.

Currency Used

The accompanying financial statements are presented in the Company's functional and presentation currency, which is Turkish Lira ("TL"), 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.

In the statement made by the Public Oversight Accounting and Auditing Standards Authority on 20 January 2022, since the cumulative change in the general purchasing power of the last three years is 74.41% according to the Consumer Price Index (CPI), it is stated that there is no need to make any adjustments in the financial statements for 2021 within the scope of TAS 29 Financial Reporting Standard in Hyperinflationary Economies. In this respect, while preparing the financial statements as of 31 December 2021, no inflation adjustment was made according to TAS 29.

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.

Derivative transaction income and expenses, which were shown in financial income and financial expenses in previous periods, are classified under financial sector activities revenue and finance sector activities cost in the current period.

Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period financial statements are restated. The Company has not made any changes in its accounting policies in the current year due to the effects of the changes in the standards.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

2 Basis of presentation of the financial statements

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.

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

New and Amended Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2021

Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform — Phase 2

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

The Company management assessed that the adoption of this amendment does not have any effect on the Company's financial statements.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

(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

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>
Amendments to TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>
Amendments to TAS 1	<i>Disclosure of Accounting Policies</i>
Amendments to TAS 8	<i>Definition Accounting Estimates</i>
Amendments to TAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2023.

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 2023 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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

(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*)

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 or an allocation of other costs that relate directly to fulfilling contracts.

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

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 1 First time adoption of Turkish Financial Reporting Standards

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

Amendments to TFRS 9 Financial Instruments

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

Amendments to TAS 41 Agriculture

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

(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*)

Amendments to TFRS 4 *Extension of the Temporary Exemption from Applying TFRS 9*

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023.

Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021*

Public Oversight Accounting and Auditing Standards Authority ("POA") has published *COVID-19 Related Rent Concessions beyond 30 June 2021 (Amendment to TFRS 16)* that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

The Company did not elect early application of the amendments.

Amendments to TAS 1 *Disclosure of Accounting Policies*

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 8 *Definition of Accounting Estimates*

With this amendment, the definition of "a change in accounting estimates" has been replaced with the definition of "an accounting estimate", sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

(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*)

Amendments to TAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

The possible effect of the standards, amendments and improvements on the financial position and performance of the Company are being evaluated.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

(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 income and expenses

Sales income and financial income

Sales Income

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

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

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

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 income 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 2021

(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. If the reporting entity itself has such a plan, the sponsoring employers are also 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 administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes legal 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 estimated 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 2021

(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)

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

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

Intangible assets

Intangible assets acquired separately

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

Leases

The Company as Lessee

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

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

(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 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 2021

(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. According to the equity method, in the statement of financial position, affiliates are shown over the amount obtained as a result of the correction of the cost value by the Company's share in the change in the net assets of the affiliate in the post-purchase period, less any impairment in the affiliate. The affiliate's losses exceeding the Company's share in the affiliate (which essentially includes any long-term investment that forms part of the Company's net investment in the affiliate) are not recorded.

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 2021

(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.

Financial assets that constitute derivative products that have not been designated as a hedging instrument are also classified as financial assets at fair value through profit or loss. 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:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- 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 2021

(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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

(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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

(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. The Company 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, 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 arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Company continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.

(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 for the Year Ended 31 December 2021

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

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

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

Financial instruments (cont'd)

Derivative financial instruments

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

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

(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 to TL 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 2021 and 31 December 2020, exchange rates used by the Company are as follows:

	31 December 2021	31 December 2020
US Dollar ("US Dollar")	13.3290	7.3405
Euro	15.0867	9.0079

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

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

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

Earnings per Share

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

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

Events after the Reporting Period

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

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

Provisions, Contingent Assets and Liabilities

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

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

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

Onerous contracts

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

Restructuring

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

(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 are recognized at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Company's obligation.

Segment Reporting

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

Income Tax

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

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

Current tax

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

Deferred tax

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

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

(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 balance sheet 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 directly in equity, in which case, the current and deferred tax are also recognized 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 for the Year Ended 31 December 2021

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

3 Cash and cash equivalents

Cash and cash equivalents as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Banks	317,193,447	221,612,741
- Time deposit	227,051,694	129,492,235
- Demand deposit	90,141,753	92,120,506
Receivables from reverse repo transactions	1,217,667	42,395,548
Provision for expected credit loss (-)	(42,957)	(35,680)
Total cash and cash equivalents on statement of financial position	318,368,157	263,972,609
Interest income discount on cash and cash equivalents	(1,451,694)	(582,235)
Provision for expected credit loss on cash and cash equivalents	42,957	35,680
Customer deposits ⁽¹⁾	(73,890,660)	(83,925,680)
Total cash and cash equivalents on statement of cash flows	243,068,760	179,500,374

⁽¹⁾ The portion of the bank deposits amounting to TL 73,890,660 (31 December 2020: TL 83,925,680) consists of the customers' assets held as demand deposits in the Company's deposit accounts as of 31 December 2021, which have not yet been invested.

As of 31 December 2021, TL 227,051,694 of time deposit (31 December 2020: TL 129,492,235) and TL 82,140,057 of demand deposit (31 December 2020: TL 87,793,915) is at T. Halk Bankası A.Ş., the main shareholder of the Company.

As of 31 December 2021, the maturity of the receivables from reverse repo transactions is 28 days and the interest rate is 15.75% (31 December 2020: 4 days maturity, 16.82%).

As of 31 December 2021 and 31 December 2020, the details of time deposits of the Company are as follows:

31 December 2021				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
Türkiye Halk Bankası A.Ş.	15.25%-21%	3 January 2022-9 February 2022	TL	227,051,694
Total				227,051,694
31 December 2020				
Time deposit	Interest rate (%)	Maturity	Currency	Amount
Türkiye Halk Bankası A.Ş.	16.25%-17.50%	4 January 2021-19 February 2021	TL	129,492,235
Total				129,492,235

As of 31 December 2021 and 31 December 2020, there is no blockage on cash and cash equivalents of the Company.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

4 Financial investments

Short-term financial investments

As of 31 December 2021 and 31 December 2020, short-term financial investments are as follows:

Financial assets at fair value through profit or loss

	31 December 2021		31 December 2020	
	Nominal value	Carrying value	Nominal value	Carrying value
Shares (Note 5)	2,720,552	21,546,679	5,882	155,955
Private sector bonds	-	-	29,600,000	29,494,073
Government bonds	21,184	8,903,459	7,496,404	8,210,400
Total		30,450,138		37,860,428

Long-term financial investments

As of 31 December 2021 and 31 December 2020, long-term financial investments are as follows:

Financial assets at fair value through other comprehensive income

Share investments	31 December 2021		31 December 2020	
	Carrying value	Ownership (%)	Carrying value	Ownership (%)
Borsa İstanbul A.Ş. ⁽¹⁾	1,517,254	0.038	1,517,254	0.038
Halk Faktoring A.Ş. ⁽³⁾	-	-	4,078,360	1.240
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	896,830	0.038	1,174,981	0.038
Ziraat Portföy Yönetimi A.Ş. ⁽²⁾	12,500	0.001	12,500	0.001
Halk Finansal Kiralama A.Ş. ⁽³⁾	-	-	5	0.000
Total	2,426,584		6,783,100	

⁽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.

⁽³⁾ The shares of Halk Faktoring A.Ş. and Halk Finansal Kiralama A.Ş., which are among the share investments of the Company, transferred to the main shareholder of the Company, Türkiye Halk Bankası A.Ş., on 6 September 2021.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

5 Related party disclosures

Receivables from related parties and payables to related parties

As of 31 December 2021 and 31 December 2020, the receivables and payables from related parties are as follows:

	31 December 2021	31 December 2020
Cash and cash equivalents		
T. Halk Bankası A.Ş.	309.191.751	217.276.149
-Time deposits	227.051.694	129.492.235
-Demand deposits	82.140.057	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
-Stock shares	-	2.938.800
T.Halk Bankası A.Ş.	-	1.000.000
-Commercial Paper	-	1.000.000
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	896.830	1.174.981
-Stock shares	896.830	1.174.981
Halk Finansal Kiralama A.Ş.	-	24.465.566
-Commercial Paper	-	24.465.561
-Stock shares	-	5
Total	310,088,581	250,884,008
	31 December 2021	31 December 2020
Trade receivables from related parties		
Türkiye Halk Bankası A.Ş.	388.490	-
Total	388,490	-
	31 December 2021	31 December 2020
Payables to related parties		
Türkiye Halk Bankası A.Ş.	-	312
Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş.	2.471	1.873
Total	2,471	2,185

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

5 Related party disclosures (cont'd)

Transactions with related parties

Transactions with related parties for the periods ended 31 December 2021 and 31 December 2020 are as follows:

Income from related parties

	1 January – 31 December 2021	1 January – 31 December 2020
<u>Türkiye Halk Bankası A.S.</u>		
Commission income on public offerings brokerage	17,489,000	16,218,771
Interest income on deposits	38,299,297	14,180,057
Commission income from brokerage	388	360,779
Consultancy service income	2,400,000	1,204,000
Other income	1,235,649	-
<u>Halk Emeklilik Fonları</u>		
Commission income from brokerage	-	743,682
<u>Halk Finansal Kiralama A.S.</u>		
Commission income on public offerings brokerage	950,000	525,000
Amortization income on bonds	934,800	6,109
<u>Halk Sigorta A.S.</u>		
Consultancy service income	-	15,000
<u>Halk Hayat ve Emeklilik A.S.</u>		
Consultancy service income	-	60,000
<u>Halk Varlık Kiralama A.S.</u>		
Sukuk issuance brokerage commission income	5,105,800	3,905,000
Amortization income from lease certificate	26	24,632
Total	66,414,961	37,243,030

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

5 Related party disclosures (cont'd)

Transactions with related parties (cont'd)

Payables to related parties

	1 January – 31 December 2021	1 January – 31 December 2020
<u>Türkiye Halk Bankası A.Ş.</u>		
Rent expenses	3,117,401	1,769,078
Bonus expense	2,142,590	-
Common expense contribution expense	528,568	550,012
Commissions of guarantee letter	99,710	75,827
Bank charges	59,497	84,255
Loan interest expense	-	10,742
<u>Halkbank Spor Kulübü</u>		
Sponsorship expenses	4,350,000	900,000
<u>Halk Sigorta A.Ş.</u>		
Personnel expenses (Health/insurance expenses)	-	334,540
<u>Halk Hayat ve Emeklilik A.Ş.</u>		
Personnel expenses (Death insurance expenses)	-	12,350
Common expense contribution expense	-	14,773
<u>Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş.</u>		
Service expense	31,147	24,102
<u>Halk Varlık Kiralama A.Ş.</u>		
Sukuk bonus expenses	354,000	413,000
Total	10,682,913	4,188,679

With the share transfer agreement signed on 22 April 2020, the Company's related party with Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. was terminated.

The shares of Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. were transferred to the main shareholder of the Company, Türkiye Halk Bankası A.Ş., with the decision of the Board of Directors dated 08 March 2021 and numbered 2021/16.

Benefits provided to key management

The key personnel received remuneration and fees amounting in total TL 5,079,808 for the period ended 31 December 2021 (31 December 2020: TL 1,952,118).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

6 Trade receivables and payables

Trade receivables

As of 31 December 2021 and 31 December 2020, trade receivables of the Company are as follows:

	31 December 2021	31 December 2020
Receivables from loan customers ⁽¹⁾	160,264,767	74,794,386
Futures and options market collaterals	197,770,155	138,247,542
Corporate receivables from Takasbank money market	-	63,254,482
Leveraged trade collaterals	9,598,453	9,315,998
Receivables from customers	5,325,146	8,459,469
Collaterals of borrowed securities	470,893	1,144,563
Due from related parties (Note 5)	388,490	-
Doubtful trade receivables	13,614,630	555,296
Provision for doubtful trade receivables	(13,614,630)	(555,296)
Total	373,817,904	295,216,440

(1) As of 31 December 2021, the average interest rate applied to the loan customers is 21.27% (31 December 2020: 24.67%).

The movement of the provision of doubtful receivables of the Company as of 31 December 2021 and 31 December 2020 is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Beginning of the period	555,296	292,398
Provisions during the period	13,059,334	262,898
End of the period	13,614,630	555,296

Trade payables

As of 31 December 2021 and 31 December 2020, trade payables of the Company is as follows:

	31 December 2021	31 December 2020
Leveraged trade collaterals	8,278,109	7,958,392
Futures and options market collaterals	192,496,398	135,381,789
Payables to customers	99,982,233	109,642,007
Sellers	6,006,357	6,052,513
Payables to related parties (Note 5)	2,471	2,185
Guarantees received for securities lent	470,893	1,144,563
Total	307,236,461	260,181,449

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

7 Other non-current assets

In 2021, the Gamification Project and Robodanışmanlık (Smart Suggestion System), developed by the Teknopark Software and Project Development team based on the infrastructures of the Macellum I and II projects, were completed. Completion reports of the projects were given to the Technopark management, and they were taken to the review and approval stage by the Technopark management.

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.

Our Robodanışmanlık 2 project, which is under development, will continue in 2022 as well.

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. A completion report has been submitted to the Technopark management for our application that has been put into service. Our Gamification project has been taken to the review stage by the Teknopark Management. Expenditures incurred in this context have been capitalized in other current assets.

	1 January - 31 December 2021	1 January - 31 December 2020
Beginning of the period	3,450,502	2,743,393
Increase during the period	1,115,991	707,109
End of the period	4,566,493	3,450,502

8 Other receivables and payables

Other receivables

As of 31 December 2021 and 31 December 2020, other receivables are as follows:

	31 December 2021	31 December 2020
Leveraged transaction foreign collaterals	12,053,887	9,958,045
BISTECH Share MKT transaction collateral ⁽²⁾	11,027,885	17,597,961
TEFAS transaction collateral ⁽⁴⁾	4,929,097	2,527,224
VIOP, Share, Lending and Debt Instruments guarantees(1)	2,860,634	2,229,065
BAP MTK transaction collaterals ⁽³⁾	4,333,327	3,831,991
Rental and other security deposits	29,250	7,750
Receivabşes from personnel	-	86,903
Other	774,661	373,196
Expected loss provision(-)	(34,508)	(14,921)
Total	35,974,233	36,597,214

(1) Consists of cash guarantees given by the Company to Istanbul Takas ve Saklama Bankası A.Ş. to transact in VIOP and other markets.

(2) It consists of cash guarantees given by the Company to Istanbul Takas ve Saklama Bankası A.Ş. for trading in the Equity market.

(3) Consists of cash guarantees given by the Company to Istanbul Takas ve Saklama Bankası A.Ş. for trading in the debt securities market.

(4) Consists of cash guarantees given by the Company to Istanbul Takas ve Saklama Bankası A.Ş. for TEFAS transactions.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

8 Other receivables and payables (cont'd)

Other payables

As of 31 December 2021 and 31 December 2020, other payables are as follows:

	31 December 2021	31 December 2020
Taxes, duties and fees payable	13,261,862	9,992,103
Other	5,442,726	2,051,467
Total	18,704,588	12,043,570

9 Prepaid expenses

As of 31 December 2021 and 31 December 2020 prepaid expenses are as follows:

	31 December 2021	31 December 2020
Prepaid expenses ⁽¹⁾	6,566,681	6,445,489
Prepaid leases	98,016	85,568
Total	6,664,697	6,531,057

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

10 Property, plant and equipment

For the years ended 31 December 2021 and 31 December 2020, movement of the property, plant and equipment is as follows:

	Machinery and equipment	Furniture and fixtures	Leasehold improvements	Total
Cost				
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
Opening balance, 1 January 2021	8,051,930	2,165,645	3,150,285	13,367,860
Additions	3,736,241	432,573	5,941,437	10,110,251
Disposals	(200,433)	(413,309)	(2,758,064)	(3,371,806)
Closing balance, 31 December 2021	11,587,738	2,184,909	6,333,658	20,106,305
Accumulated depreciation				
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
Opening balance, 1 January 2021	3,759,024	1,894,416	2,669,713	8,323,153
Charge for the period	1,816,218	143,444	741,889	2,701,551
Disposals	(166,168)	(403,040)	(2,360,136)	(2,929,344)
Closing balance, 31 December 2021	5,409,074	1,634,820	1,051,466	8,095,360
Net carrying value				
31 December 2020	4,292,906	271,229	480,572	5,044,707
31 December 2021	6,178,664	550,089	5,282,192	12,010,945

In the accounting period for the period ending on 31 December 2021, TL 10,110,251 of property, plant and equipment was purchased (31 December 2020: TL 3,165,774).

In the accounting period ending on 31 December 2021, the total insurance amount on tangible fixed assets is TL 11,451,760 (31 December 2020: TL 10,987,615).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

11 Intangible assets

For the years ended 31 December 2021 and 31 December 2020, movement of the intangible assets is as follows:

	Software programs
Cost value	
Opening balance, 1 January 2020	4,065,629
Additions	1,085,876
Closing balance, 31 December 2020	5,151,505
Opening balance, 1 January 2021	5,151,505
Additions	475,584
Closing balance, 31 December 2021	5,627,089
Accumulated amortization	
Opening balance, 1 January 2020	2,989,203
Charge for the period	719,169
Closing balance, 31 December 2020	3,708,372
Opening balance, 1 January 2021	3,708,372
Charge for the period	782,368
Closing balance, 31 December 2021	4,490,740
Net carrying value	
31 December 2020	1,443,133
31 December 2021	1,136,349

In the accounting period ended 31 December 2021, intangible assets amounting to TL 475,584 have been purchased (31 December 2020: TL 1,085,876).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

12 Right-of-use assets and lease payables

As of 31 December 2021 and 31 December 2020, movement of right-of-use assets and lease payables are as follows:

	Building lease rights	Vehicle lease rights	Total
Cost			
Opening balance, 1 January 2020	3.947.499	2.059.416	6.006.915
Additions	-	1.511.904	1.511.904
Disposals	(1.008.493)	-	(1.008.493)
Closing balance, 31 December 2020	2,939,006	3,571,320	6,510,326
Opening balance, 1 January 2021	2.939.006	3.571.320	6.510.326
Additions	7.993.594	-	7.993.594
Disposals	(2.358.009)	(10.506)	(2.368.515)
Closing balance, 31 December 2021	8,574,591	3,560,814	12,135,405
Accumulated depreciation			
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	2,214,433	910,180	3,124,613
Opening balance, 1 January 2021	2.214.433	910.180	3.124.613
Charge for the period	2.570.748	1.222.747	3.793.495
Disposals	(1.970.522)	-	(1.970.522)
Closing balance, 31 December 2021	2,814,659	2,132,927	4,947,586
Net carrying value			
31 December 2020	724.572	2.661.140	3.385.713
31 December 2021	5.759.932	1.427.887	7.187.819
		31 December 2021	31 December 2020
Distribution of lease liabilities			
Current		4,938,062	1,871,734
Non-current		3,026,290	1,875,969
Closing balance		7,964,352	3,747,703

13 Provisions, contingent assets and liabilities

Other short-term provisions

As of 31 December 2021 and 31 December 2020, short-term provisions for liabilities are as follows:

	31 December 2021	31 December 2020
Provision for litigation	577,669	453,504
Expenses payable	482,048	11,163
Common expense contribution share	44,675	103,141
Provision for sales commission payable	1,000,000	-
Other expense provisions	-	299
Total	2,104,392	568,107

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

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

Off-balance sheet liabilities

As of 31 December 2021 and 31 December 2020 off-balance sheet liabilities are as follows:

Letters of guarantee

	31 December 2021	31 December 2020
Borsa İstanbul AŞ (BİST)	80,000	80,000
SPK	1,776	1,776
Other	45,000	231,504
Total	126,776	313,280

As of 31 December 2021, the Company has a guarantee given to liquidity providers amounting to USD 2,000,000 in order to be able to perform KAS transactions (31 December 2020: USD 2,000,000).

Other off-balance sheet liabilities

Items held in custoday (nominal)	31 December 2021	31 December 2020
Stock share	7,621,555,434	3,966,663,461
Warrants	52,522,948	70,299,970
Other securities	4,425,335,041	3,882,874,758
Futures and options market contracts (number)	142,280	497,217

As of 31 December 2021, there are futures and option markets guarantees amounting to TL 192,496,398 at İstanbul Takas ve Saklama Bankası A.Ş. (31 December 2020: TL 135,381,789).

As of 31 December 2021 and 31 December 2020, the open transaction amounts of customers in the Futures and Options Market are as follows:

	31 December 2021	31 December 2020
Open transaction amount	285,849,031	553,153,856

Legal cases

As of 31 December 2021, total risk of lawsuits sued against the Company are amounting to approximately TL 577,669 (31 December 2020: TL 453,504) and TL 577,669 of provision is provided for these lawsuits on the financial statements (31 December 2020: TL 453,504).

	1 January – 31 December 2021	1 January – 31 December 2020
Beginning of the period	453,504	709,950
Increase in the period	144,950	58,554
Provision released	(20,785)	-
Compensations paid	-	(315,000)
End of the period	577,669	453,504

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

14 Provisions related to employee benefits

As of 31 December 2021 and 31 December 2020, the details of employee benefits are as follows:

	31 December 2021	31 December 2020
<i>Short-term</i>		
- Provision for unused vacation	2,201,317	1,423,996
- Personnel bonus provision	4,183,330	3,069,648
<i>Long-term</i>		
- Provision for employment termination benefit	4,776,557	3,198,577

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 2021 and 31 December 2020 are as follows:

	1 January – 31 December 2021	1 January – 31 December 2020
Beginning of the period	1,423,996	1,018,187
Increase in the period	1,114,371	538,445
Paid within	(337,050)	(132,636)
End of the period	2,201,317	1,423,996

Provision for personnel premium

The provision for personnel premium provision consists of the TL 4,183,330 premium that the Company foresees to distribute to the personnel from the provisions allocated in the statement of financial position for 2021 (31 December 2020: TL 3,069,648). The Company has recognized the related amount as expense in accordance with TAS 19 in the current period.

	1 January – 31 December 2021	1 January – 31 December 2020
Beginning of the period	3,069,648	2,350,000
Increase in the period	4,183,330	3,069,648
Paid within	(2,811,325)	(2,350,000)
Provisions released	(258,323)	-
End of period	4,183,330	3,069,648

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 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Discount rate	19.10%	12.80%
Estimated salary increase rate	15.80%	9.50%
Net discount rate	2.85%	3.01%

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

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

The movements of provision for termination and retirement benefits within the accounting periods ended 31 December 2021 and 31 December 2020 are as follows:

	1 January – 31 December 2021	1 January – 31 December 2020
Beginning of the period	3,198,577	2,530,486
Interest cost	96,277	91,097
Service cost	2,242,289	1,051,144
Payments within the period	(760,586)	(474,150)
End of the period	4,776,557	3,198,577

15 Tax assets and liabilities

In Turkey, the general corporate tax rate is 20%. However, within the scope of the Law No. 7316 on the "Law on the Collection of Public Claims and Amendments to Certain Laws" published in the Official Gazette dated 22 April 2021, this rate will be applied as 25% for the corporate earnings of the institutions for the 2021 taxation period, and 23% for the corporate earnings for the 2022 taxation period, starting from the declarations that must be submitted as of 1 July 2021. This change will be valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021. The corporate tax rate is applied to the tax base to be found as a result of adding the expenses that are not accepted as a deduction in accordance with the tax laws to the commercial income of the corporations, deducting the exceptions and discounts in the tax laws. If there is no dividend distribution, 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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

15 Tax assets and liabilities (cont'd)

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

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

In accordance with the tax legislation, tax losses can be carried forward up to 5 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 2021 and 31 December 2020.

	1 January – 31 December 2021	1 January – 31 December 2020
Profit before tax	268,529,470	240,232,946
Corporate tax calculated with statutory tax rate (25%) (30 December 2020 tax rate 22%)	67,132,368	52,851,248
Non-deductible expenses	1,252,818	487,090
Non-taxable income	(1,512,066)	(201,146)
Tax expense	66,873,120	53,137,192
	1 January – 31 December 2021	1 January – 31 December 2020
Current tax expense	(71,114,818)	(55,123,687)
Deferred tax (expense)/income	4,241,698	1,986,495
Tax expense	(66,873,120)	(53,137,192)

As of 31 December 2021 and 31 December 2020, 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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

15 Tax assets and liabilities (cont'd)

	31 December 2021	31 December 2020
Prepaid provisional tax	48,690,827	41,848,009
Current corporate tax expense	(71,114,818)	(55,123,687)
Current tax (liabilities) / assets	(22,423,991)	(13,275,678)

Deferred tax

As at 31 December 2021 and 31 December 2020, details of net deferred tax assets and liabilities are as follows:

	Total Provisional Difference		Deferred Tax Asset / (Liability)	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Deferred tax assets				
Provision for employment termination benefits	4,776,557	3,198,577	955,311	639,715
Provision for unused vacation	2,201,317	1,423,996	506,303	284,799
Provision for personnel premium	4,183,330	3,069,648	962,166	613,930
Provision for doubtful receivables	13,042,288	38,035	2,999,726	7,607
Lawsuit provision	577,669	453,504	132,864	90,701
Effect of depreciation and amortisation method difference between tax regulations on property, plant and equipment and intangible assets	120,245	-	24,049	-
Provision for expected loss	77,539	50,599	17,834	10,120
Other	1,000,000	-	230,000	-
Total deferred tax assets	25,978,945	8,234,359	5,828,253	1,646,872
Deferred tax liabilities				
Financial investments	(1,561,085)	(1,377,537)	(118,762)	(343,384)
Effect of depreciation and amortisation method difference between tax regulations on property, plant and equipment and intangible assets	-	(536,013)	-	(107,203)
Total deferred tax liability	(1,561,085)	(1,913,550)	(118,762)	(450,587)
Net deferred tax asset / (liability)	24,417,860	6,320,809	5,709,491	1,196,285

16 Shareholders' equity

In the General Assembly dated 30 March 2021, it is decided to allocate TL 5,285,821 of first order general legal reserves from the net profit for the year 2020, to pay the Company's shareholders a 1st dividend of TL 5,200,000 at the rate of 5% of the paid-in capital in accordance with Article 21/b of the Articles of Association, to allocate 139,750,851.07 TL as a II. dividend to the shareholders of the Company pursuant to Article 21/d of the Articles of Association, TL 14,282,049,91 will be allocated as II. legal reserve, with the addition of TL 10,950,851.07 from the II. dividend allocated to the shareholders, TL 24,301,937 from the extraordinary reserves account and TL 10,747,212 from the previous years' profits, to a total of TL 46,000,000 be distributed to the shareholders as bonus shares and added to the capital and to increase the capital of the company from TL 104,000,000 to TL 150,000,000, to the shareholders to be paid a total of TL 134,000,000 in cash, with a I. dividend of TL 5,200,000 and a II. dividend of TL 128,800,000, to set aside TL 20,590,537 as Special Reserves, (it is 75% of the profits of participation in accordance with the 1/e clause of the 5th article of the Corporate Tax Law No. 5520) to set aside TL 1,986,495 as extraordinary reserves Trade registry approval was registered on 8 April 2021 and announced in the Trade Registry Gazette dated 13 April 2021 and numbered 10308.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

16 Shareholders' equity (cont'd)

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% 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% of paid-in capital.

As of 31 December 2021, the Company has restricted reserves amounting to TL 73,246,202 appropriated from profit (31 December 2020: TL 33,087,795).

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.

Prior years' profit

As of 31 December 2021, the Company has prior years' profit amounting to TL 2,305,761 (31 December 2020: TL 35,368,414).

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

17 Revenue and cost of sales

Income from operating activities for the years ended 31 December 2021 and 31 December 2020 is as follows:

	1 January – 31 December 2021	1 January – 31 December 2020
Revenue		
Government bond sales	351,229,211	534,396,877
Government bond repo sales	2,520,560,000	4,508,228,000
Share sales	192,562,730	44,563,581
Private sector bond sales	7,713,240	27,646,581
Commercial bills sales	96,783	6,544,900
Eurobond sales	1,057,906,255	727,567,304
Total revenue	4,130,068,219	5,848,947,243
Services		
Share transactions brokerage commissions	190,869,852	219,075,588
Interest income from customers	28,290,347	12,636,236
Public, issued commissions and consultancy income	61,109,276	21,660,110
Commissions on common stock trading	189,418	142,811
Repo-reverse repo brokerage commissions	1,875,035	1,729,377
Takasbank Money Market brokerage commissions	921,490	695,164
Futures and options market transaction brokerage commissions	18,900,061	15,944,851
Securities Lending Market and other commission income	915,901	468,112
Leveraged income	4,881,141	5,164,793
Funds sales and distribution commission	2,306,849	1,872,772
Portfolio management and consultancy service income	3,143,677	1,407,925
Bank transfer instrument income on condition of electronic product note	807,354	-
Total service income	314,210,401	280,797,739
Total sales income	4,444,278,620	6,129,744,982
Cost of sales		
Government bond purchases	(350,487,087)	(530,020,630)
Government bond repo purchases	(2,520,560,000)	(4,508,228,000)
Share purchases	(183,613,112)	(17,103,132)
Private sector bond purchases	(7,607,807)	(27,501,112)
Commercial bills purchases	(96,735)	(6,528,289)
Eurobond purchases	(1,049,968,694)	(720,173,009)
Total cost of sales	(4,112,333,435)	(5,809,554,172)
Gross profit from commercial activity	331,945,185	320,190,810
Finance Sector Operating Revenue		
Profit from Financial Derivative Transactions	-	-
Total finance sector operating revenue	-	-
Finance Sector Operating Cost		
Loss from Financial Derivative Transactions	(3,786,344)	(1,467,066)
Total finance sector operations costs	(3,786,344)	(1,467,066)
Gross profit	328,158,841	318,723,744

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

18 General administrative and marketing expenses

General administrative expenses for the years ended 31 December 2021 and 31 December 2020 are as follows:

<i>General administrative income</i>	1 January – 31 December 2021	1 January – 31 December 2020
Personnel expenses	43,745,712	32,314,321
-Salaries	29,145,902	22,503,734
-Personnel insurance and premium expenses	6,763,296	5,317,929
-Personnel employment termination expenses	1,577,980	854,294
-Personnel employment termination payments	1,000,315	512,863
-Personnel food expenses	1,122,985	886,445
-Other personnel expenses	4,135,234	2,239,056
Data display and distribution expenses	4,365,712	2,917,207
Rent expenses	1,453,958	1,603,369
Depreciation expenses and amortization	7,277,414	3,366,749
Outsourced benefits and services	7,450,298	4,401,017
Communication expenses	3,074,478	2,181,192
Taxes and fees	2,685,977	1,297,990
Service and travel expenses	823,896	949,241
Common expense share	1,191,439	913,437
Audit and consultancy expenses	1,089,574	701,636
Vehicle rent and fuel expenses	689,232	614,655
Maintenance expenses	2,018,933	1,165,442
Representation and entertainment expenses	164,595	76,853
Other	1,268,882	641,325
Total	77,300,100	53,144,434

Marketing expenses for the years ended 31 December 2021 and 31 December 2020 are as follows:

<i>Marketing expenses</i>	1 January – 31 December 2021	1 January – 31 December 2020
Stock exchange expenses	18,270,309	17,714,438
Data display and distribution expenses	16,959,487	10,684,172
Commission and service expenses	8,209,326	4,847,357
Advertisement, publication and rent expenses	7,674,999	2,647,879
Stock exchange and union fees	498,152	356,433
Stock exchange remote access expense	1,028,629	612,495
Sponsorship expenses	4,787,920	1,096,667
Internet and website expenses	791,666	17,194
Other	119,534	99,323
Total	58,340,022	38,075,958

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

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 7,277,414 in the year ended 31 December 2021 (31 December 2020: TL 3,366,749). In the year ended 31 December 2021, the provision for severance pay expense is TL 1,577,980, the provision for unused vacation expense is TL 777,321 TL (31 December 2020: TL 668,091 provision for severance pay expense, TL 538,445 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 2021 and 31 December 2020 are as follows:

<i>Other operating income</i>	1 January – 31 December 2021	1 January – 31 December 2020
Other service income ⁽¹⁾	1,676,130	743,840
Dividend income ⁽²⁾	211,526	855,270
Reversal of personnel premium	258,323	-
SSI refund premiums and other income ⁽³⁾	600	225
Provisions released ⁽⁴⁾	20,784	315,000
Total	5,071,735	1,914,335

⁽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 600 is received as grant from treasury for SSI payments. (31 December 2020: TL 225).

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

<i>Other operating expenses</i>	1 January – 31 December 2021	1 January – 31 December 2020
Provision for legal cases expense	144,951	58,554
Other expenses and losses ⁽¹⁾	13,744,704	957,430
Total	13,889,655	1,015,984

⁽¹⁾ Provision expense for unsecured debt balances of customers, refunds to customers due to faulty transactions, administrative fines and other expenses.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

21 Finance income and finance expenses

As of 31 December 2021 and 31 December 2020, the details of finance income and expenses are as follows:

<i>Finance income</i>	1 January – 31 December 2021	1 January – 31 December 2020
Deposit interest income	39,131,763	14,180,057
Reverse repo interest income	104,993,362	45,711,362
Fixed income securities depreciation, coupon rate and discount income	8,331,931	25,937,119
Futures and options market and other collateral interest income	6,379,229	2,538,282
Takasbank money market interest income	1,938,364	1,724,745
Exchange differences income	25,892,512	16,055,326
Stock valuation differences	-	55,961
Other	520,532	762,504
Total	187,187,693	106,965,356
<i>Finance expenses</i>	1 January – 31 December 2021	1 January – 31 December 2020
Interest expenses		
TPP borrowing and loan interest expenses	-	10,742
Repo interest expenses	84,548,620	53,247,093
Exchange differences expenses	16,654,890	11,879,857
Stock valuation differences	1,038,240	29,918,767
Letter of guarantee commissions	116,912	76,352
Other	360	1,302
Total	102,359,022	95,134,113

22 Fees for services received from an independent audit firm

The fees for the services received by the Company from the Independent Audit Firm (IAF) in the periods of 1 January - 31 December 2021 and 1 January - 31 December 2020 are as follows:

	1 January-31 December 2021			1 January-31 December 2020		
	BDK	Other IAF	Total	BDK	Other IAF	Total
Independent audit fee for the reporting period	321,000	-	321,000	268,000	-	268,000
Fees for services other than independent audit	74,500	-	74,500	2,700	-	2,700
	395,500	-	395,500	270,700	-	270,700

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

23 Nature and level of risks arising from financial instruments

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

23.1 Credit risk

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

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

23.1 Credit risk (cont'd)

Credit risks exposed by types of financial instruments:

31 December 2021	Receivables			Deposits at bank ⁽¹⁾	Derivative Instruments	Financial investments ⁽²⁾
	Trade receivables		Other receivables			
	Related party	Other	Other			
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	388,490	387,044,044	35,974,233	318,368,157	-	8,903,459
Secured portion of the maximum credit risk by guarantees, etc.	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	388,490	373,429,414	35,974,233	318,368,157	-	8,903,459
B. Net book value of financial assets with renegotiated terms that will be considered as past due or not impaired otherwise	-	-	-	-	-	-
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	-	13,614,630	-	-	-	-
- Past due (gross amount)	-	13,614,630	-	-	-	-
- Impairment (-)	-	13,614,630	-	-	-	-
- 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 that include credit risk	-	-	-	-	-	-

(1) Receivables from reverse repo transactions amounting to TL 1,000,000 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 2020	Receivables			Deposits at bank ⁽¹⁾	Derivative Instruments	Financial investments ⁽²⁾
	Trade receivables		Other receivables			
	Related party	Other	Other			
Maximum credit risk exposed as of 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 guarant	-	-	-	-	-	-
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 with renegotiated terms that will be considered as past due or not impaired otherwise	-	-	-	-	-	-
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	-	555,296	-	-	-	-
- 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 that 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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

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

23.2 Liquidity risk

As of 31 December 2021, the profile of financial liabilities according to their remaining maturities is as follows:

Contractual maturities	Carrying value	Total contractual cash outflows	Less than 3 months	3 to 12 months	1 to 5 years
Non-derivative financial liabilities	333,905,401	335,482,119	327,479,103	3,891,825	4,111,191
Trade payables	307,236,461	307,236,461	307,236,461	-	-
Other payables	18,704,588	18,704,588	18,704,588	-	-
Payables from lease transactions	7,964,352	9,541,070	1,538,054	3,891,825	4,111,191

31 Aralık 2020 tarihi itibarıyla, finansal yükümlülüklerin kalan vadelerine göre profili aşağıdaki tablodaki gibidir:

Contractual maturities	Carrying value	Total contractual cash outflows	Less than 3 months	3 to 12 months	1 to 5 years
Non-derivative financial liabilities	275,972,722	276,369,556	272,707,995	1,460,654	2,200,907
Trade payables	260,181,449	260,181,449	260,181,449	-	-
Other payables	12,043,570	12,043,570	12,043,570	-	-
Payables from lease transactions	3,747,703	4,144,537	482,976	1,460,654	2,200,907

31 Aralık 2021 ve 31 Aralık 2020 tarihleri itibarıyla, Şirket'in Tebliğ 34 kapsamında likidite yükümlülüğü aşağıdaki gibidir:

	31 December 2021	31 December 2020
Current assets (A)	757,870,277	633,201,514
Short-term payables (B)	361,792,141	292,434,182
Current assets/Short-term payables (A/B)	2.09	2.17

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

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

23.3 Market risk

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 2021 and 31 December 2020, the Company's foreign currency position is as follows:

	31 December 2021		
	TL equivalent (Functional currency)	US Dollar	Euro
1. Trade receivables	-	-	-
2a. Monetary financial assets (including cash, bank deposit)	11,694,015	865,575	10,391
3. Other	-	-	-
4. Current assets (1+2+3)	11,694,015	865,575	10,391
5. Trade receivables	23,751,180	1,762,437	17,211
6a. Monetary financial assets	-	-	-
6b. Non-monetary financial assets	-	-	-
7. Other	-	-	-
8. Non-current assets (5+6+7)	23,751,180	1,762,437	17,211
9. Total assets (4+8)	35,445,195	2,628,012	27,602
10. Trade payables	12,059,306	904,742	-
11. Financial liabilities	-	-	-
12a. Other monetary liabilities	-	-	-
12b. Other non-monetary liabilities	-	-	-
13. Current liabilities (10+11+12)	12,059,306	904,742	-
14. Trade payables	-	-	-
15. Financial liabilities	-	-	-
16a. Other monetary liabilities	-	-	-
16b. Other non-monetary liabilities	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-
18. Total liabilities (13+17)	12,059,306	904,742	-
19. Net asset/(liability) position of off balance sheet derivative financial instruments (19a-19b)	-	-	-
19a. Amount of active foreign derivative currency off-balance sheet	-	-	-
19b. Amount of passive foreign derivative currency off-balance	-	-	-
20. Net foreign currency assets/(liabilities) position (9-18+19)	23,385,889	1,723,270	27,602
21. Monetary items net foreign currency asset/(liability) position (tfrs 7.b23) (=1+2a+5+6a-10-11-12a-14-15-16a)	23,385,889	1,723,270	27,602
22. Fair value of financial instruments used for currency hedge	-	-	-
23. Hedged foreign currency assets	-	-	-
24. Hedged foreign currency liabilities	-	-	-

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

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

23.3 Market risk (cont'd)

Foreign currency risk (cont'd)

	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	1,429	-
6a. Monetary financial assets	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-
7. Other	-	-	-	-
8. Non-current assets (5+6+7)	14,424,011	1,963,249	1,429	-
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. Other monetary liabilities	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-
13. Current liabilities (10+11+12)	10,012,016	1,357,846	-	4,500
14. Trade payables	-	-	-	-
15. Financial liabilities	-	-	-	-
16a. Other monetary liabilities	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-
18. Total liabilities (13+17)	10,012,016	1,357,846	-	4,500
19. Net asset/(liability) position of off balance sheet derivative financial instruments (19a-19b)	-	-	-	-
19a. Amount of active foreign derivative currency off-balance sheet	-	-	-	-
19b. Amount of passive foreign derivative currency off-balance	-	-	-	-
20. Net foreign currency assets/(liabilities) position (9-18+19)	8,877,950	1,212,061	2,838	(4,500)
21. Monetary items net foreign currency asset/(liability) position (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	-	-	-	-

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

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

23.3 Market risk (cont'd)

Foreign currency sensitivity

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 2021		
	Foreign currency appreciation	Foreign currency depreciation
<u>Change in US Dollar by 20% against TL</u>		
1- US Dollar net asset/liability	4,593,893	(4,593,893)
2- Hedged risk (US Dollar) (-)	-	-
3- US Dollar net effect (1+2)	4,593,893	(4,593,893)
<u>Change in Euro by 20% against TL</u>		
4- Euro net asset / liability	83,285	(83,285)
5- Hedged risk (Euro) (-)	-	-
6- Euro net effect (4+5)	83,285	(83,285)
Total (3+6)	4,677,178	(4,677,178)
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)
Total (3+6+9)	1,775,590	(1,775,590)

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

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

23.3 Market risk (cont'd)

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 2021 and 31 December 2020, 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 2021	Profit / (loss)		Equity ^(*)	
	Increase by 20%	Decrease by 20%	Increase by 20%	Decrease by 20%
Financial assets at fair value through profit or loss				
- Stock shares	4,309,336	(4,309,336)	4,309,336	(4,309,336)
Financial assets at fair value through other comprehensive income				
- Stock shares	-	-	179,366	(179,366)
Total	4,309,336	(4,309,336)	4,488,702	(4,488,702)

(*) Kar / (zarar) değişimi de içermektedir.

31 December 2020	Profit / (loss)		Equity ^(*)	
	Increase by 20%	Decrease by 20%	Increase by 20%	Decrease by 20%
Financial assets at fair value through profit or loss				
- Stock shares	31,191	(31,191)	31,191	(31,191)
Financial assets at fair value through other comprehensive income				
- Stock shares	-	-	234,996	(234,996)
Total	31,191	(31,191)	266,187	(266,187)

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

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

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

23.3 Market risk (cont'd)

Interest rate risk

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

		31 December 2021	31 December 2020
Financial instruments with fixed interest			
Financial assets	Financial assets at fair value through profit or loss	920,761	566,629
	Time deposits at banks	227,051,694	129,492,235
Trade receivables	Receivables from reverse repo agreements	1,217,667	42,395,548
	Receivables from credit customers	160,264,767	74,794,386
Financial instruments with floating interest			
Financial assets	Financial assets at fair value through profit or loss	7,982,698	37,137,844

Interest 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 2021 is detailed in the table below. The sensitivity analysis is applied on the same basis also in 2020.

	Profit / (loss)		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2021				
Financial investments	(2,112,427)	2,214,583	(2,112,427)	2,214,583
31 December 2020				
Financial investments	(1,185,518)	1,249,414	(1,185,518)	1,249,414

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements

for the Year Ended 31 December 2021

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

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

23.4 Capital management

As of 31 December 2021 and 31 December 2020, the minimum liability for shareholders' equity that the Company should possess shall be TL 29,216,340 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 395,291,651 as of 31 December 2021 (31 December 2020: TL 342,669,019). 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 2021, 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 2021 and 31 December 2020, the risk provision amounts calculated in accordance with the Communiqué: V, No: 34 are as follows:

	31 December 2021	31 December 2020
Position risk	30,599,115	21,146,668
Counter party risk	44,151,205	25,375,287
Total risk provision	76,562,593	46,521,955

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

24 Financial instruments

Fair value disclosures

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

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

Classification of fair value measurement

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

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

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

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

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

In this context, fair value classification of assets and liabilities which are measured over their fair values is as follows:

31 December 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Financial investments (short-term)	30,450,138	-	-	30,450,138
Financial investments (long-term) (*)	896,830	1,517,254	-	2,414,084
(*) Stock investments amounting to TL 12,500 that are recognized at cost value are not included				
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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

24 Financial instruments (cont'd)

Fair value disclosures (cont'd)

Classification of fair value measurement (cont'd)

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

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

As of 31 December 2021 and 31 December 2020, the Company's Borsa İstanbul associate rate is 0.377%. The Company holds 159,711 shares with nominal value of TL 15,971,094. In the current period, the relevant shares are valued with price per share that is determined in the 15 January 2018 dated and 2018/6 numbered meeting of Borsa İstanbul, and the valuation effect is recognized under equity in financial statements.

25 Other matters

On 15 October 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 at which the case starts to be heard on the merits 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 was determined regarding the motion to recuse, discovery motions, and filings of other motions. 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 trials 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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

25 Other matters (cont'd)

District Court denied Parent Bank's motion to dismiss the indictment on 1 October 2020. The Parent Bank appealed the Court of Appeals for the Second Circuit through the motion to dismiss the indictment based on the Foreign Sovereign Immunity Act (exemption from the jurisdiction of the US courts). On 23 December 2020, the Court of Appeals for the Second Circuit accepted to hear the appeal on the merits and granted Parent Bank's motion to stay the case pending sovereign immunity appeal. Before the Court of Appeals for the Second Circuit, the oral argument was presented on 12 April 2021. The Court of Appeals for the Second Circuit denied Parent Bank's appeal on 22 October 2021. The Parent Bank filed its petition with the Second Circuit for an en banc rehearing. Second Circuit denied Parent Bank's petition on 15 December 2021.

As the Parent Bank will file its petition for a writ of certiorari with the US Supreme Court in regard to the Foreign Sovereign Immunity Act decision, it requested the US Court of Appeals for the Second Circuit to stay the mandate so that the stay on the proceedings in the District Court continues. The petition was granted by the Second Circuit on 14 January 2022. The proceedings in the district court are stayed till the process is completed in the US Supreme Court. The Parent Bank will file its petition for a writ of certiorari with the US Supreme Court no later than 13 May 2022. Should the US Supreme Court grants the writ of certiorari, the case will be dismissed before it is heard on the merits. In case the writ of certiorari is denied by the US Supreme Court, the case will be returned to the District Court and the District Court will need to create a new schedule for the trials.

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 case was fully briefed on 16 December 2020. District Court conditionally granted Parent Bank's motion to dismiss, filed on 16 December 2020, on the grounds of forum non conveniens. The case was closed at the District Court on March 3, 2021.

The Plaintiffs filed their appeal brief at the Court of Appeals for the Second Circuit as to the District Court's Decision on 30 June 2021. The case is fully briefed. The appeal is still ongoing at the Court of Appeals for the Second Circuit.

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

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.

HALK YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ

Notes to the Financial Statements for the Year Ended 31 December 2021

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

26 Events after the reporting period

On 31 January 2022, the Company's Assistant General Manager of Sales, Investment Consultancy and Operations, Evren Karabulut, resigned from his position.



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