

**YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş.
AND ITS SUBSIDIARY**

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 30 JUNE 2021
TOGETHER WITH INDEPENDENT AUDITOR'S REVIEW REPORT
ORIGINALLY ISSUED IN TURKISH**



**CONVENIENCE TRANSLATION INTO ENGLISH OF
REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION
ORIGINALLY ISSUED IN TURKISH**

To the General Assembly of Yapı Kredi Yatırım Menkul Değerler A.Ş.

Introduction

We have reviewed the accompanying consolidated statement of financial position of Yapı Kredi Yatırım Menkul Değerler A.Ş. and its subsidiary (collectively referred to as the "Group") as at 30 June 2021 and the related consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The Group management is responsible for the preparation and fair presentation of this interim consolidated financial information in accordance with Turkish Accounting Standard 34, "Interim Financial Reporting" ("TAS 34"). Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to conclude that the accompanying consolidated interim financial information does not give a true and fair view of the financial position of Yapı Kredi Yatırım Menkul Değerler A.Ş. and its subsidiary as of 30 June 2021, and of their financial performance and their cash flows for the six-month period then ended in accordance with TAS 34.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Didem Demer Kaya, SMMM
Partner

Istanbul, 28 July 2021

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

CONTENTS		PAGE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....		1-2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS.....		3
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME.....		4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY		5
CONSOLIDATED STATEMENT OF CASH FLOWS		6
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS		7-56
NOTE 1	ORGANIZATION AND NATURE OF OPERATIONS	7-9
NOTE 2	BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	9-22
NOTE 3	BUSINESS COMBINATIONS	22
NOTE 4	JOINT VENTURES.....	22
NOTE 5	SEGMENT REPORTING.....	22
NOTE 6	CASH AND CASH EQUIVALENTS	23
NOTE 7	FINANCIAL INVESTMENTS.....	23-25
NOTE 8	NON-CURRENT ASSETS HELD FOR SALE.....	26
NOTE 9	SHORT AND LONG TERM LIABILITIES	26-27
NOTE 10	TRADE RECEIVABLES AND PAYABLES.....	27-28
NOTE 11	RECEIVABLES FROM FINANCIAL ACTIVITIES	28
NOTE 12	OTHER RECEIVABLES AND PAYABLES.....	28-29
NOTE 13	PROPERTY, PLANT AND EQUIPMENT	29
NOTE 14	RIGHT OF USE ASSETS.....	30
NOTE 15	INTANGIBLE ASSETS	30
NOTE 16	PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	31-32
NOTE 17	DERIVATIVE INSTRUMENTS.....	32-33
NOTE 18	PROVISION FOR EMPLOYEE BENEFITS	33-34
NOTE 19	PAYABLES FOR EMPLOYEE BENEFITS.....	35
NOTE 20	PREPAID EXPENSES	35
NOTE 21	OTHER ASSETS AND LIABILITIES.....	35
NOTE 22	SHAREHOLDERS' EQUITY	35-37
NOTE 23	TAX ASSETS AND LIABILITIES	37-40
NOTE 24	REVENUE AND COST OF SALES	40
NOTE 25	REVENUE AND COST OF FINANCIAL ACTIVITIES	41
NOTE 26	OPERATING EXPENSES	41-42
NOTE 27	OTHER INCOME FROM OPERATING ACTIVITIES	42
NOTE 28	OTHER EXPENSE FROM OPERATING ACTIVITIES.....	42
NOTE 29	BALANCES AND TRANSACTIONS WITH RELATED PARTIES.....	43-46
NOTE 30	EARNINGS PER SHARE	46-47
NOTE 31	FINANCIAL RISK MANAGEMENT.....	47-54
NOTE 32	FINANCIAL INSTRUMENTS	54-55
NOTE 33	DISCLOSURE OF OTHER MATTERS	56
NOTE 34	SUBSEQUENT EVENTS.....	56

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

Assets	Notes	(Reviewed) 30 June 2021	(Audited) 31 December 2020
Current assets			
Cash and cash equivalents	6	3,941,346,842	2,904,454,202
Financial investments	7	133,058,640	155,763,092
- Fair value through profit or loss financial assets		37,744,836	10,257,451
- Financial assets measured at fair value through other comprehensive income		37,236,851	107,874,679
- Financial assets measured at amortised cost		58,076,953	37,630,962
Trade receivables	10	769,985,543	858,054,117
- Trade receivables due from related parties	29	121,085,313	80,052,926
- Trade receivables due from third parties		648,900,230	778,001,191
Receivables from financial activities	11	18,813,904	23,165,172
- Receivables from financial activities due from related parties	29	17,662,104	23,027,448
- Receivables from financial activities due from third parties		1,151,800	137,724
Other receivables	12	352,753,823	321,933,584
- Other receivables due from third parties		352,753,823	321,933,584
Derivative instruments	17	10,168,074	132,958,946
- Derivatives held for trading		10,168,074	132,958,946
Prepaid expenses	20	8,508,516	7,111,784
- Prepaid expenses due to related parties	29	707,217	557,580
- Prepaid expenses due to third parties		7,801,299	6,554,204
Current income tax assets	23	109,137	21,534,869
Other current assets		-	112,553
- Other current assets due from third parties		-	112,553
Total current assets		5,234,744,479	4,425,088,319
Non-current assets			
Financial investments	7	107,963,516	72,626,710
- Financial assets measured at fair value through other comprehensive income		107,963,516	72,626,710
- Financial assets measured at amortised cost		-	-
Property, plant and equipment	13	18,143,414	17,121,503
Right of use assets	14	2,202,710	3,281,671
Intangible assets	15	34,765,169	30,488,937
Deferred tax assets	23	14,928,177	403,549
Total non-current assets		178,002,986	123,922,370
Total assets		5,412,747,465	4,549,010,689

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

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

Liabilities	Notes	(Reviewed) 30 June 2021	(Audited) 31 December 2020
Short-term liabilities			
Short term liabilities	9	3,553,340,103	2,861,847,812
- Short term liabilities due to related parties	29	1,790,452	102,391,251
- Bank borrowings	29	-	100,057,778
- Lease liabilities		1,790,452	2,333,473
- Short term liabilities due to third parties		3,551,549,651	2,759,456,561
- Bank borrowings	9	120,400,823	239,130,361
- Lease liabilities		15,317	171,439
- Other short term borrowings		3,431,133,511	2,520,154,761
Trade payables	10	695,514,276	689,176,547
- Trade payables to related parties	29	64,376,076	152,163,747
- Trade payables to third parties		631,138,200	537,012,800
Payables related to employee benefits	19	4,191,345	5,200,805
Other payables	12	123,140,862	131,554,157
- Other payables due to related parties	29	-	1,368
- Other payables due to third parties		123,140,862	131,552,789
Derivative instruments	17	33,103,086	-
- Derivatives held for trading		33,103,086	-
Tax liability for the period	23	17,792,783	10,505,065
Short term provisions		17,130,338	28,394,094
- Short term provisions for employee benefits	18	14,895,678	26,242,787
- Other short term provisions	16	2,234,660	2,151,307
Other short term liabilities	21	33,919,920	51,505,820
- Other short term liabilities due to third parties		33,919,920	51,505,820
Total short term liabilities		4,478,132,713	3,778,184,300
Long-term liabilities			
Long term borrowings	9	654,390	1,022,795
- Long term liabilities due to related parties	29	654,390	1,022,795
- Lease liabilities		654,390	1,022,795
Long term provisions	18	16,826,165	13,771,214
- Provisions for employee benefits		16,826,165	13,771,214
Deferred tax liabilities	23	-	18,155,235
Total long term liabilities		17,480,555	32,949,244
Total liabilities		4,495,613,268	3,811,133,544
Shareholder's equity			
Paid in capital	22	98,918,083	98,918,083
Adjustments to share capital	22	63,078,001	63,078,001
Accumulated other comprehensive income/(expenses) that will not be reclassified to profit or loss		17,998,013	18,683,521
- Profits from investments in equity instruments		22,180,709	22,180,709
- Remeasurement losses from defined benefit plans		(4,182,696)	(3,497,188)
Accumulated other comprehensive income that will be reclassified to profit or loss		755,122	1,106,006
- Revaluation and reclassification gains		755,122	1,106,006
Restricted reserves	22	186,831,858	184,106,085
Retained earnings		318,640,742	84,609,777
Net income for the period		215,393,169	268,960,378
Equity attributable to owners of the parent		901,614,988	719,461,851
Non-controlling interests	22	15,519,209	18,415,294
Total shareholder's equity		917,134,197	737,877,145
Total liabilities and shareholder's equity		5,412,747,465	4,549,010,689

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

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD 1 JANUARY - 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

	Notes	(Reviewed) 1 January - 30 June 2021	(Not Reviewed) 1 April - 30 June 2021	(Reviewed) 1 January - 30 June 2020	(Not reviewed) 1 April - 30 June 2020
PROFIT OR LOSS					
Revenue	24	2,479,710,249	1,442,300,335	2,024,167,250	870,710,150
Cost of sales (-)	24	(2,183,803,670)	(1,333,154,893)	(1,866,980,769)	(770,825,375)
Gross profit from business operations		295,906,579	109,145,442	157,186,481	99,884,775
Revenue from financial activities	25	95,164,930	51,022,273	67,017,391	36,179,483
Cost of financial activities (-)	25	(1,954,583)	(957,190)	(1,968,677)	(835,576)
Gross profit from financial activities		93,210,347	50,065,083	65,048,714	35,343,907
Gross profit		389,116,926	159,210,525	222,235,195	135,228,682
General administrative expenses (-)	26	(105,354,973)	(55,416,433)	(79,677,460)	(39,296,697)
Marketing, selling and distribution expenses (-)	26	(75,650,611)	(30,556,255)	(38,195,895)	(19,713,485)
Other income from operating activities	27	509,902,606	64,963,621	202,193,546	31,454,023
Other expense from operating activities (-)	28	(416,855,159)	(14,880,829)	(151,228,325)	(16,653,092)
Profit before tax from continuing operations		301,158,789	123,320,629	155,327,061	91,019,431
Tax expense from continuing operations (-)	23	(77,886,707)	(39,772,575)	(31,346,993)	(17,267,644)
- Tax expense for the period (-)	23	(110,274,875)	(18,570,626)	(18,311,703)	(6,498,343)
- Deferred tax expense (-)	23	32,388,168	(21,201,949)	(13,035,290)	(10,769,301)
Total profit from continuing operations		223,272,082	83,548,054	123,980,068	73,751,787
Total profit attributable to:		223,272,082	83,548,054	123,980,068	73,751,787
Profit, attributable to non-controlling interests	22	7,878,913	3,942,888	4,921,179	2,712,208
Profit, attributable to owners of parent		215,393,169	79,605,166	119,058,889	71,039,579
Earnings per share from continuing operations (Kr)	30	2.26	0.84	1.25	0.75

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

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

**CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY - 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

		<i>(Reviewed)</i> 1 January - 30 June 2021	<i>(Not Reviewed)</i> 1 April - 30 June 2021	<i>(Reviewed)</i> 1 January - 30 June 2020	<i>(Not reviewed)</i> 1 April - 30 June 2020
	Notes				
OTHER COMPREHENSIVE INCOME					
Total profit for the period		223,272,082	83,548,054	123,980,068	73,751,787
Components of other comprehensive income that will not be reclassified to profit or loss		(685,508)	(725,338)	(125,978)	(415,288)
Profits from investments in equity instruments		-	-	-	-
Defined benefits plans remeasurement gains/(losses)	18	(856,885)	(906,672)	(161,510)	(532,421)
Taxes related other comprehensive income that will not be reclassified to profit or loss		171,377	181,334	35,532	117,133
- Profits from investments in equity instruments, tax effect		-	-	-	-
- Defined benefit plans remeasurement Gains/(losses), tax effect		171,377	181,334	35,532	117,133
Components of other comprehensive income that will be reclassified to profit or loss		(350,884)	(536,436)	901,305	853,323
Financial assets measured at fair value through other comprehensive income		(471,202)	(701,876)	1,155,519	1,094,004
Taxes related other comprehensive income that will be reclassified to profit or loss		120,318	165,440	(254,214)	(240,681)
- Profits from investments in equity instruments, tax effect		120,318	165,440	(254,214)	(240,681)
Other comprehensive income		(1,036,392)	(1,261,774)	775,327	438,035
Total comprehensive income		222,235,690	82,286,280	124,755,395	74,189,822
Total comprehensive income attributable to:		222,235,690	82,286,280	124,755,395	74,189,822
Comprehensive income, attributable to non-controlling interests	22	7,878,913	3,942,888	4,921,179	2,712,208
Comprehensive income, attributable to owners of parent		214,356,777	78,343,392	119,834,216	71,477,614
Total comprehensive income per share from continuing operations (Kr)	30	2.25	0.83	1.26	0.75

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

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF REVIEWED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

	Notes	Paid capital	Adjustments to share capital	Accumulated other comprehensive income or expenses will be reclassified to profit or loss	Accumulated other comprehensive income or expenses will not be reclassified to profit or loss	Restricted reserves	Accumulated profits		Equity attributable to owners of the parent	Non controlling interests	Total equity	
				Revaluation and reclassification gains	Profits from investments in equity instruments		Defined benefit plans remeasurement losses	Retained earnings				Net profit for the year
1 January 2020		98,918,083	63,078,001	102,601	22,180,709	(2,722,007)	173,078,307	84,609,777	126,251,462	565,496,933	10,402,458	575,899,391
Transfers		-	-	-	-	-	-	126,251,462	(126,251,462)	-	-	-
Total comprehensive income		-	-	901,305	-	(125,978)	-	-	119,058,889	119,834,216	4,921,179	124,755,395
- Net profit for the period		-	-	-	-	-	-	-	119,058,889	119,058,889	4,921,179	123,980,068
- Other comprehensive income		-	-	901,305	-	(125,978)	-	-	-	775,327	-	775,327
Dividends	22	-	-	-	-	-	11,027,778	(126,251,462)	-	(115,223,684)	(5,070,587)	(120,294,271)
30 June 2020		98,918,083	63,078,001	1,003,906	22,180,709	(2,847,985)	184,106,085	84,609,777	119,058,889	570,107,465	10,253,050	580,360,515
1 January 2022		98,918,083	63,078,001	1,106,006	22,180,709	(3,497,188)	184,106,085	84,609,777	268,960,378	719,461,851	18,415,294	737,877,145
Transfers		-	-	-	-	-	-	268,960,378	(268,960,378)	-	-	-
Total comprehensive income		-	-	(350,884)	-	(685,508)	-	-	215,393,169	214,356,777	7,878,913	222,235,690
- Net profit for the period		-	-	-	-	-	-	-	215,393,169	215,393,169	7,878,913	223,272,082
- Other comprehensive income/(expense)		-	-	(350,884)	-	(685,508)	-	-	-	(1,036,392)	-	(1,036,392)
Dividends	22	-	-	-	-	-	2,725,773	(34,929,413)	-	(32,203,640)	(10,774,998)	(42,978,638)
-		-	-	-	-	-	-	-	-	-	-	-
30 June 2021		98,918,083	63,078,001	755,122	22,180,709	(4,182,696)	186,831,858	318,640,742	215,393,169	901,614,988	15,519,209	917,134,197

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

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF
REVIEWED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY - 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

Notes	Reviewed 1 January- 30 June 2021	Reviewed 1 January- 30 June 2020
A. Cash flows from operating activities	568,777,222	(29,980,413)
Net income for the period	223,272,082	123,980,068
Adjustments to reconcile net income/loss to net cash provided by operating activities	329,749,670	44,410,522
Adjustments for depreciation and amortization	26 7,272,854	5,013,196
Adjustments for provisions	2,971,111	13,362,231
- Adjustments for provision for employee benefits	(7,606,649)	12,671,123
- Adjustments for lawsuit provisions	83,353	691,108
- Adjustments for other provisions	10,494,407	-
Adjustments on dividend income	27 -	(14,412,708)
Adjustments for interest income and expenses	119,391,526	22,362,773
- Adjustments for interest income	(105,573,472)	(93,181,973)
- Adjustments for interest expenses	224,964,998	115,544,746
Adjustments for unrealized foreign currency translation differences	121,876,588	(14,608,818)
Adjustments for fair value losses/(gains)	350,884	1,346,855
- Adjustments for financial assets fair value losses	350,884	1,346,855
Adjustments for tax expense	23 77,886,707	31,346,993
Changes in operating profit	3,242,079	(265,185,219)
Increase in financial investments	(12,632,354)	(111,080,924)
Adjustments for decrease in trade receivables	88,068,574	(279,635,885)
- Decrease/(increase) in trade receivables due from related parties	(41,032,387)	53,148,353
- Decrease in trade receivables due from third parties	129,100,961	(332,784,238)
Decrease/(increase) in receivables from financial activities	4,351,268	(1,460,702)
Adjustments for decrease in other receivables	(30,820,239)	(99,988,694)
- Decrease in other receivables due from third parties	(30,820,239)	(99,988,694)
Increase in derivatives (-)	122,790,872	(41,884)
Decrease in prepaid expenses	(1,396,732)	885,250
Adjustments for increase in trade payables	(181,964,576)	187,652,555
- (Decrease)/increase in trade payables due to related parties	(87,787,671)	12,715,237
- Increase in trade payables due to other parties	(94,176,905)	174,937,318
Increase/(decrease) in payables due to employee benefits	(1,009,460)	(1,533,052)
Adjustments for increase in other payables	(25,999,195)	92,146,650
- Increase in other payables due to related parties	(1,368)	23,543
- Increase in other payables due to other parties	(25,997,827)	92,123,107
Decrease in derivative liabilities	33,103,086	(52,055,200)
Adjustments for decrease in other operating capital	8,750,835	(73,333)
- Decrease in other operating activities	8,750,835	(73,333)
Cash flows from operating activities	556,263,831	(96,794,629)
Dividends received	27 15,209,426	14,412,708
Interests received	105,573,472	93,181,973
Payments for provision for employee benefits	(24,399,432)	(20,932,164)
Taxes paid	(83,870,075)	(19,848,301)
B. Cash flows from investing activities	(10,783,352)	(7,042,968)
Cash inflows from selling of property, equipment and intangible assets	4,490	-
- Cash inflows from selling of property and equipment	13 4,490	-
- Cash inflows from selling of intangible assets	15 -	-
Cash outflows from purchase of property, equipment and intangible assets	(10,787,842)	(7,042,968)
- Cash outflows from purchase of property and equipment	13 (3,094,557)	(2,706,475)
- Cash outflows from purchase of intangible assets	15 (7,693,285)	(4,336,493)
C. Cash flows from financing activities	423,123,943	(703,170,164)
Cash inflows from borrowings	22,328,116,693	39,572,066,710
- Cash inflows from loans	21,296,769,860	38,521,851,002
- Cash inflows from issued bonds	1,031,346,833	1,050,215,708
Cash outflows from debt payments	(21,635,925,259)	(40,037,598,889)
- Cash outflows from loan repayments	(21,325,855,054)	(39,130,132,062)
- Cash outflows from issued bonds repayments	(310,070,205)	(907,466,827)
Cash outflows from repayments of lease liabilities	9 (1,123,855)	(2,154,302)
Dividends paid	22 (42,978,638)	(120,294,271)
Interests paid	(224,964,998)	(115,189,412)
Net decrease in cash and cash equivalents before exchange currency effect (A+B+C)	981,117,813	(740,193,545)
D. Exchange currency effect on cash and cash equivalents	(121,876,588)	14,608,818
Net decrease in cash and cash equivalents (A+B+C+D)	859,241,225	(725,584,727)
E. Cash and cash equivalents at the beginning of the period	2,727,753,526	3,471,914,401
Cash and cash equivalents at the end of the period (A+B+C+D+E)	6 3,586,994,751	2,746,329,674

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

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

1. ORGANIZATION AND NATURE OF OPERATIONS

Yapı Kredi Yatırım Menkul Değerler A.Ş., (referred to as the “Company” or “Group” along with its subsidiary in these consolidated financial statements) was founded on 8 September 1989, under the name Finanscorp Finansman Yatırım Anonim Şirketi, in line with the provisions of Capital Market Law No. 2499 and relevant provisions of legislation, for the purpose of performing capital market operations related to all types of capital market instruments, carrying out all types of transactions and entering into contracts in connection with these operations, as well as performing intermediary operations. The founding was promulgated in Turkish Trade Registry Gazette No. 2358 dated 15 September 1989. In 1996, 99.6% of the shares of the Company were transferred to Yapı ve Kredi Bankası Anonim Şirketi (“Bank”). The name of the Company was changed to Yapı Kredi Yatırım Anonim Şirketi on 9 September 1996 and Yapı Kredi Yatırım Menkul Değerler Anonim Şirketi on 5 October 1998.

As of 28 September 2005, 57.4% of the shares of Yapı ve Kredi Bankası A.Ş., the main shareholder of the Company, were sold in accordance with the share purchase agreement between Çukurova Holding A.Ş., several Çukurova Group Companies, Mehmet Emin Karamehmet and Koç Finansal Hizmetler A.Ş. (“KFH”), Koçbank N.V. and Koçbank A.Ş. In the framework of the agreement, KFH became the ultimate parent company of Yapı ve Kredi Bankası A.Ş. with 57.4% shares.

At the Extraordinary General Assembly of the Company at 29 December 2006, the decision to legally merge with Koç Yatırım Menkul Değerler A.Ş. (“Koç Yatırım”) in accordance with the related articles of Turkish Commercial Code, Corporate Tax Law, and Capital Market Law and permission of Capital Markets Board No. B.02.1.SP.K.0.16-1955 dated 15 December 2006 and to approve the merger agreement has been taken. Accordingly, all rights, receivables, liabilities and obligations were transferred to the Company due to consequential dissolution without liquidation of Koç Yatırım Menkul Değerler A.Ş.

Commercial Registration Office of Istanbul has registered the Extraordinary General Assembly decision dated 29 December 2006 and the merger agreement as of 12 January 2007 and announced the registration at Trade Registry Gazette No. 6724 and dated 16 January 2007.

With the share transfer agreement on 5 February 2020, KFH’s capital share in the parent company bank was determined to be 40.95%, and UniCredit S.P.A.’s was determined to be 20%. The Company’s parent company is Yapı ve Kredi Bankası A.Ş. (“YKB”), and the ultimate parent company is KFH.

The main operations of the Company can be summarized as follows without lending money, except where legislation allows:

- a) Buying and selling of capital market instruments within the scope of Capital Market Legislation in the name and account of the customer, in their own name and account or in their own name and in the account of the customer,
- b) According to the Capital Market Law and Capital Market Board’s Regulations (“CMB” or “Board”) and “Intermediary Firm with Board Authority” the Company have the following activities:
 - Intermediation Activities (Domestic and Foreign),
 - Shares,
 - Other Securities,
 - Derivatives Based on Shares,
 - Derivatives Based on Share Indices,
 - Other Derivatives,

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

1. ORGANIZATION AND NATURE OF OPERATIONS (Continued)

- Portfolio Management Activities (Domestic),
 - Shares,
 - Other Securities,
 - Leverage Trading
 - Derivatives Based on Shares,
 - Derivatives Based on Share Indices
 - Other Derivatives,
 - Investment Consulting Activities,
 - Intermediation for Public Offering,
 - Underwriting,
 - Best Effort Underwriting,
 - Limited Custodian Service.
- c) Performing transactions in exchange markets by being a member of exchanges,
- d) Buying and selling of securities with repurchase and sale commitment,
- e) Using the right to receive the bonus shares, the payment of capital, interest, dividends and similar incomes of the capital market instruments on its customers behalf and accounts in accordance with the authorization given by the customers,
- f) Margin trading, short selling and borrowing and lending the financial instruments,

The Company has 42 investment funds (31 December 2020: 35). As of 30 June 2021, the Group has 274 employees (31 December 2020: 269).

The head office of the Company is located at Levent Mah., Cömert Sok., No.: 1A A Blok, D.: 21-22-23-24-25-27 Levent - Beşiktaş/İstanbul.

In the last period of 2019, information about China-based Covid-19 (Coronavirus) started to come and a limited number of cases were reported to the World Health Organization. In the first months of 2020, the virus continued to spread internationally and its negative impact began to increase. The World Health Organization declared the Covid-19 outbreak a global pandemic on 12 March 2020. Although the first case in our country was seen in March 2020, the Company management continues to take measures to eliminate the possible effects of the epidemic on the Company's activities, as the situation is still developing. In addition, the Company Management monitors the effects of the epidemic on local and global markets and continues to evaluate the possible effects of these developments on the sector in which the company operates.

However, the Company Management anticipates that the epidemic will not have a significant impact on the financial statements of the company and the continuity of the business.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

1. ORGANIZATION AND NATURE OF OPERATIONS (Continued)

Subsidiary;

As of 30 June 2021 and 31 December 2020 details of the subsidiary of the Group are as follows:

Name of the shareholder	30 June 2021 Share in capital	31 December 2020 Share in capital	Main activity
Yapı Kredi Portföy Yönetimi A.Ş. (Subsidiary)	%87.32	%87.32	Portfolio management

Yapı Kredi Portföy Yönetimi A.Ş. (“Yapı Kredi Portföy” or “subsidiary”) is subject to full scope consolidation as the Company is the main shareholder and has control rights over subsidiary.

The Company’s subsidiary Koç Portföy Yönetimi A.Ş. has legally merged with Yapı Kredi Portföy Yönetimi A.Ş. on 29 December 2006. Accordingly, all rights, receivables, liabilities and obligations of Yapı Kredi Portföy were transferred to Koç Portföy. After merger, the Subsidiary has changed its title as Yapı Kredi Portföy Yönetimi A.Ş. and accordingly the Company has an interest of 87.32% (31 December 2020: 87.32%) of the voting rights.

Within the context of the Capital Markets Board regulations, the Subsidiary’s principal activities are managing mutual and private funds and performing discretionary portfolio management (“DPM”) for institutions, endowments and individuals.

Approval of consolidated financial statements:

Consolidated financial statements prepared as of 30 June 2021 have been approved by the Board of Directors of the Company at 28 July 2021. General Assembly and regulatory bodies have the right to amend the approved financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Accounting standards and the compliance to TAS

Attached financial statements as of 30 June 2021 had been prepared in accordance with clauses of “Principles Statement Related To Financial Reporting In Capital Market” Serie II-14.1, which had been published in Official Gazette dated 13 June 2013 and numbered 28676 by CMB. Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/TFRS”) and additions and comments related to these standards (“TAS/TFRS”) which had been constituted by Public Oversight Accounting And Auditing Standards Board (“POA”) had been grounded on relying on the fifth article of this communiqué.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The Group has prepared its consolidated interim financial statements for the interim period ending on 30 June 2021 within the framework of the CMB's Communiqué Serial: XII, No. 14.1 and announcements introducing explanations of this communiqué, and in line with the TAS 34 Interim Financial Reporting standard and the formats announced by the CMB on 7 June 2013. Consolidated interim financial statements and notes have been presented in accordance with the formats recommended by the CMB and include the mandatory information.

The companies are free to prepare their interim period statements in full set or condensed versions in accordance with TAS 34. The Group preferred to prepare full set consolidated financial statement for the interim period in this context.

Interim financial statements have been based on legal records and prepared in Turkish Lira's. The required corrections and classifications are done in preparing interim financial statements in order to be truly presented in accordance with TAS which are prepared by POA.

Preparation of the financial statements

The financial statements of the Group are prepared in accordance with 2021 TFRS Taxonomy published by POA.

2.1.2 Financial statement amendments in hyperinflation economies

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for listed companies in Turkey. The Group's consolidated financial statements have been prepared in accordance with this decision.

2.1.3 Offsetting

Financial assets and liabilities are offset and the net amount reported in the financial statements when there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.1.4 Going concern

The Group prepared its consolidated financial statements based on going concern principle.

2.1.5 Comparative figures and the reclassification to the financial statements of the prior period

The Group complies with the principles and articles of valid commercial laws and regulations and Communiqués announced by CMB in the accounting records and the preparation of the consolidated financial statements.

In order to determine the financial status and performance trends, the consolidated financial statements of the Group have been prepared in comparison with the consolidated financial statements of previous periods. The Group prepared its consolidated statement of financial position as of 30 June 2021 in comparison with the consolidated statement of financial position prepared as of 31 December 2020; prepared consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows between 1 January - 30 June 2021 in comparison with 1 January - 30 June 2020. Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1.6 New standards, amendments and interpretations

The Group adopted the standards, amendments and interpretations published by TAS and TFRS and which are mandatory for the accounting periods beginning on or after 30 June 2021.

a) Standards, amendments and interpretations applicable as at 30 June 2021:

- **Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.
- **Amendments IFRS 4, ‘Insurance contracts’, deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2021. These amendments change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial Instrument until 1 January 2023.

b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2021:

- **IFRS 17, ‘Insurance contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities;** effective from 1 January 2022. These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
 - **Amendments to IFRS 3,** ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to IAS 16,** ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to IAS 37,** ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, ‘First-time Adoption of IFRS’, IFRS 9, ‘Financial instruments’, IAS 41, ‘Agriculture’ and the Illustrative Examples accompanying IFRS 16, ‘Leases’.

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

The Group management does not foresee any material impact of adoption of the aforementioned standards and interpretations on the consolidated interim financial statements of the Group in the upcoming periods.

2.2 Changes in Accounting Policies and Errors

Significant changes in accounting policies and significant accounting errors identified are to be applied retrospectively and the prior period financial statements are to be restated. There has been no change in accounting policies in 2021.

2.3 Changes in Accounting Estimates

If the changes in the accounting estimates are related to only one period; changes are made only in the related period, if the changes in the accounting estimates related to future periods; changes are made both for the current and future periods, oriented to future periods. There has been no significant change in the Group’s accounting estimates in the current period.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF REVIEWED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies

(a) Basis of consolidation

The consolidated interim financial statements include the financial statements of the Company and its subsidiary. Control is exercised when a company has power over financial and operational policies of a business with the purpose of benefiting from the business operations.

As of 30 June 2021 and 31 December 2020 details of the subsidiary and associate of the Group are as follows:

<u>Legal entity</u>	<u>30 June 2021 Ratio of shares in capital</u>	<u>31 December 2020 Ratio of shares in capital</u>	<u>Service Line</u>
Yapı Kredi Portföy Yönetimi A.Ş. (Subsidiary)	%87.32	%87.32	Portfolio Management

Subsidiary

Yapı Kredi Portföy Yönetimi A.Ş. (“Yapı Kredi Portföy” or “subsidiary”), is subject to full consolidation as the Company is the main shareholder and has control rights over subsidiary.

The Company’s subsidiary Koç Portföy Yönetimi A.Ş. has legally merged with Yapı Kredi Portföy Yönetimi A.Ş. on 29 December 2006. Accordingly, all rights, receivables, liabilities and obligations of Yapı Kredi Portföy were transferred to Koç Portföy. After merger, the Subsidiary has changed its title as Yapı Kredi Portföy Yönetimi A.Ş. and accordingly the Company has an interest of 87.32% (31 December 2020: 87.32%) of the voting rights.

Within the context of the Capital Markets Board regulations, the Subsidiary’s principal activities are managing mutual and private funds and performing discretionary portfolio management (“DPM”) for institutions, endowments and individuals.

The balance sheets and statements of income of the subsidiary are consolidated on a line-by-line basis and the carrying value of the investment held by the Company is eliminated against the related equity.

The minority shares in net assets and operating results are classified as “non-controlling interest”. Intercompany transactions and balances between the Company and the subsidiary are eliminated during consolidation. Subsidiary is consolidated from the date on which control is transferred to the Company and will no longer be consolidated from the date that control ceases.

Where necessary, accounting policies of the subsidiary have been changed to ensure consistency with the policies adopted by the Company.

(b) Revenue recognition

(i) Fee and commission income and expenses

Fees and commissions are recognised in the income statement when they are collected or paid. However, fund management, investment consulting fees, intermediary commissions and portfolio management commissions are recognised on an accrual basis. Common stock transaction commissions are netted off with commission rebates.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(ii) Interest income, expenses and dividend income

Interest income and expenses are recognised in the income statement in the period to which they relate on an accrual basis. Interest income consists of income derived from coupons of fixed-rate and variable-rate instruments, income arising from the valuation of discounted government securities on an internal rate of return basis, and interest rates arising from the Takasbank Money Market and reverse repurchase transactions.

Dividend income from common stock investments are recognised when the shareholders have the right to take the dividend.

(c) Trade receivables

Trading receivables that arise as a result of providing services to the receiver by the Group are disclosed by offsetting unearned financing income. After the unearned financing income, trading receivables are calculated with the discounted amounts of receivables that are recorded with their original invoice value and realized in next periods with the effective interest method. Short-term receivables that do not have any specified interest rate are disclosed with their cost values when there is no major effect of using original effective interest rate.

(d) Financial assets

The Group classifies and accounts its financial assets as “Financial assets measured at fair value through profit or loss”, “Financial assets measured at fair value through other comprehensive income”, “Financial assets measured at amortised cost” and “Loans and receivables”.

Sales and purchases of the financial assets mentioned above are recognised at the “settlement dates”.

The appropriate classification of financial assets of the Group is determined at the time of purchase and according to the “market risk policies” by the Group management, taking into consideration the purpose of holding the investment.

All financial assets initially are recognised at fair value with purchase expenses of investment, except financial assets at fair value through profit or loss.

(i) Financial assets at fair value through profit and loss

In the Group, financial assets which are classified as “Financial assets at fair value through profit or loss” are trading financial assets and are either acquired for generating profit from short-term fluctuations in the price or dealer’s margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Trading financial assets are initially recognised at fair value and are subsequently re-measured at their fair value. It is accepted that the fair value is recognised as the best buy order as of the balance sheet date. However, if fair values cannot be obtained from the market transactions, it is accepted that the fair value cannot be measured reliably and that the financial assets are carried at “amortised cost” using the effective interest method. All gains and losses arising from these evaluations are recognised in the income statement.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

All gains and losses arising from these evaluations, coupon and interest income are recognised in “Financial income” account in the income statement.

(ii) Financial assets at fair value through other comprehensive income:

Financial assets held for the purpose of collecting contractual cash flows or selling the financial asset, where the cash flows of the assets represent only payments of principal and interest and are not defined as financial assets at fair value through profit or loss; are classified as assets at fair value through other comprehensive income (FVOCI).

Financial assets at fair value through other comprehensive income are subsequently re-measured at fair value. When fair values based on market prices cannot be obtained reliably, the financial assets at fair value through other comprehensive income are carried at fair values determined by using “Effective interest rate” method.

“Unrealized profits and losses” arising from the changes in the fair values of financial assets whose fair value differences are reflected in other comprehensive income are not reflected in the income statement of the period until the realization of one of the cases where the value corresponding to the related financial asset is collected, the asset is sold, disposed of or weakened. or other accumulated comprehensive income or expenses to be reclassified as a loss.

When these financial assets are collected or disposed of, the accumulated fair value differences recognized in equity are reflected in the profit or loss statement. Interest or dividends of financial assets are accounted for in the related interest income and profit share income account.

(iii) Assets recognised at amortised cost

Financial assets are recognised at amortised cost if the retention is in the context of a business model which aimed at collecting contractual cash flows and the contractual terms lead to cash flows contain only principal and interest payments on the principal balance and at specific dates. These assets are initially recognised at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognised at amortised cost by using “Effective interest rate method”.

(iv) Loans and other receivables

Loans and receivables of the Group which are given with the purpose of providing cash to the debtor are carried at amortized cost. All loans are recognised in financial statements after transferring the cash amounts to debtors.

The Group provides loans to its customers for stock purchases.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(v) Reverse repurchase agreements

Funds given against securities purchased under agreements (“Reverse Repo”) to resell are accounted under “Cash and cash equivalents” on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method and is recorded as receivables from reverse repo transactions.

(e) Property and equipment

Property and equipment are carried at cost less accumulated depreciation.

Depreciation on the tangible assets is provided on straight-line method according to their useful lives from the date of recognition or assembly of the related asset. The estimated useful lives of assets are as follows:

Buildings	50 years
Furnitures and fixtures	4-5 years
Leasehold improvements	4-5 years

Estimated useful life and depreciation method are reviewed at each balance sheet date in order to detect the effects of changes in the estimates and if appropriate, the changes in estimates are accounted.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the provision for the impairment in value is charged to the income statement

Gains and losses on the disposal of assets are determined by deducting the net book value of the assets from its sales proceeds and charged to the income statement in the current period.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

(f) Intangible assets

Intangible assets consist of acquired rights, information systems and softwares. These assets are recorded at original costs and amortised over their estimated useful lives, approximately 3-5 years, using the straight-line method. Estimated useful lives and amortization method are reviewed annually and the changes in estimates are recognised to determine the possible effects of the changes in estimates.

The book value of intangible assets are reduced to recoverable value, if impairment exists.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(g) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are subject to impairment testing at each balance sheet date to determine whether there is any indication of impairment of financial asset or financial asset group. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment because of one or more events that occurred after the initial recognition of the assets. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets. The impairment gains and loss of loans and advances is the difference between the original contracted cash flows and the modified cash flows discounted at the original effective interest rate.

The Group books a provision for the doubtful receivables when there is an objective evidence that trade receivables are not fully collectible. The correspondent provision amount is the difference between the book value and collectible receivable amount. The collectible amount is the discounted value of trade receivables by effective interest rate including the collectible guarantees and securities.

In the event of the collections of the doubtful receivables whether the whole amount or some part of it, after booking the provision for the doubtful receivables, the collected amount is deducted from the doubtful receivables provision and recorded as income.

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced with an allowance account.

In all financial assets with the exception of trade receivables where the net book value is reduced through the use of an allowance account, the impairment is deducted directly from the carrying amount of the related financial asset. In the event that the case of the trade receivable cannot be collected, become certain, the related amount is deducted from the provision account. Changes in the provision account are recognised in the income statement.

If the impairment loss decreases in the subsequent period, and this decrease can be associated with an event occurring after recognition of the impairment loss-except for equity instruments whose fair value difference is recognised under comprehensive income-the previously recognised impairment loss is written off on the income statement in such a way that it does not exceed the amortised cost occurring when the impairment of the investment is not recognised on the date the impairment is written off.

Expected credit losses measurement

The measurement of the allowance for expected credit loss for financial assets measured at amortised cost and at fair value through other comprehensive income is an area that requires the use of the financial position and future relevant economic assumptions and advanced models.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

A group of important decisions is required to apply the accounting requirements for measuring expected credit losses. These are:

- Determination of criteria for significant increase in credit risk
- Selection of appropriate models and assumptions for measuring expected credit losses
- Identify the related expected credit loss and the number and likelihood of prospective scenarios for each type of product/market
- Identification of a similar group of financial assets for the purposes of measuring expected credit losses

(h) Financial liabilities

(i) Repurchase agreements

Securities subject to repurchase agreements (“Repo”) are classified as “Financial assets at fair value through profit or loss”, “Financial assets at fair value through other comprehensive income” and “Financial assets measured at amortised cost” according to the investment purposes of the Group and measured according to the portfolio to which they belong.

Funds obtained from repurchase agreements are accounted under “Financial Liabilities” in liabilities and the difference between the sale and repurchase price is accrued over the life of the repurchase agreements using the “effective interest method” and is added to the cost of the financial assets which are subject to repurchase agreements.

The Group has no securities lending transactions.

(ii) Other financial liabilities

Other financial liabilities are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

(j) Foreign exchange transactions

Transactions denominated in foreign currencies are accounted for at the exchange rates prevailing at the date of the transactions; monetary assets and liabilities are accounted for at the period-end bid rate of Central Bank of the Republic of Turkey (“CBRT”). Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(k) Provisions and contingent assets and liabilities

Provisions are recognised when there is a present legal or constructive obligation because of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. When the amount of the obligation cannot be estimated and an outflow of resources is not probable, it is considered that a “contingent” liability exists and it is disclosed in the related notes to the financial statements.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in consolidated financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the consolidated financial statements in the period in which the change occurs.

(l) Subsequent events

Subsequent events cover any events which arise between the date of approval of the financial statements and the balance sheet date, even if they occurred after declaration of the net profit for the period or specific financial information is publicly disclosed. The Group adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

(m) Related parties

For the purpose of these consolidated interim financial statements, shareholders, subsidiaries of Yapı ve Kredi Bankası A.Ş. with direct and/or indirect capital relation, Koç Holding A.Ş. and Unicredito Italiano S.p.A group companies, key management personnel and board members, their families and companies are considered as “related parties”.

(n) Taxes calculated over Group’s profit

Corporate tax

Corporate tax is calculated according to the Tax Procedural Law, and tax expenses except corporate tax are recognised in operating expenses.

Turkish tax regulations do not enable the parent company to give tax statement over the consolidated financial statements of its subsidiaries and affiliates. Due to this reason, tax provisions reflected to these consolidated financial statements are calculated for each company the full consolidation scope.

Corporate tax is subject to offsetting when a legal right about netting off the current tax assets and liabilities or when they are related to the corporate tax collected by the same tax regulatory.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Deferred tax

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The deferred tax assets and the deferred tax liabilities can be netted off only if there is a legal right in this respect according to the tax legislation of the country they are dependent on.

Material temporary differences arise from miscellaneous expense provisions and valuation differences related to financial assets whose fair value differences are recognised under: other comprehensive income, premises owned by the Group, personnel premium, severance pay and leave, expected credit losses, and litigation provisions.

Deferred tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Company. Deferred tax assets resulting from temporary differences in the recognition of expense for income tax and financial reporting purposes are recognised to the extent that it is probable that future taxable profit will be available, against which the deferred tax asset can be utilized.

Current tax except for the related items accounted under “Revaluation and reclassification gains/(losses)” account in equity and deferred tax of the regarding period is accounted as income or expense in the statement of income.

(o) **Employee benefits**

Defined benefit plans:

The Group accounts for employee termination benefits, vacation rights and other benefits to employees in accordance with “Turkish Accounting Standard for Employee Rights” (“TAS 19”) and they are classified under “provisions for employee benefits” in the balance sheet.

Under the Turkish Labour Law, the Group is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Company arising from this liability regarding the actuarial projections and reflected to consolidated financial statements.

Defined contribution plans:

The Group has to pay contribution to Social Security Institution (Institution) for its employees within the contribution margin decided by the law. The Group does not have other liabilities to its employees or to Institution other than the contribution for its employees. Those contributions are expensed on the date of accrual.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(p) Capital and dividends

Ordinary shares are classified in equity. Dividends over ordinary shares are classified as dividend payable by deducting from accumulated profits, when the decision of dividend distribution is taken.

(q) Statement of cash flows

For the purposes of statement of cash flows, cash and cash equivalents include due from banks with maturity less than three months, receivables from reverse repo transactions and investment funds.

(r) Share certificates and issuance

At capital increases, the Group accounts the difference between the issued value and nominal value as share issue premium under equity, in the case where the issued value is higher than the nominal value. The Group has no decision for profit distribution after the balance sheet date.

(s) Assets held for sale and discontinued operations

Discontinued operation is defined as a part of the Group with distinguished operations and cash flows that is disposed of or classified as held for sale. Results of discontinued operations are disclosed separately in the income statement.

A tangible asset (or a disposal group) classified as “Asset held for sale” is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group) is regarded as asset held for sale only when the sale is highly probable and the asset (disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

(t) Derivatives

The Group’s derivative transactions are composed of foreign currency/interest rates swaps, forward contracts and future transactions. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting periods.

2.5 Significant Accounting Judgements, Estimates and Assumptions

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities or amounts of contingent assets and liabilities, and income and expense reported in the related period. Even though these assumptions and estimates are based on the best estimates of the Group’s management, the actual results might differ from them.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Financial assets measured at amortised cost

Classification of financial assets as financial assets measured at amortised cost is at management discretion within the scope of management’s objective and capability. If the Group cannot manage to retain these assets until the maturity date, they will have to reclassify them as financial assets at fair value through other comprehensive income, except specific cases as for example, selling of immaterial amount close to maturity date. In this case, investments are measured at their fair value instead of amortised cost.

Impairment of stock investments classified as financial assets at fair value through other comprehensive income

The Group calculates the fair value of financial instruments which have no active market, using market information and through arm’s length transactions or by reference to the fair value of similar instruments.

Deferred income tax asset recognition

Deferred income tax assets are recorded to the extent that realization of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

3. BUSINESS COMBINATIONS

None (31 December 2020: None).

4. JOINT VENTURES

None (31 December 2020: None).

5. SEGMENT REPORTING

Since the Group is not publicly held, there is no segment reporting in the consolidated financial statements as of 30 June 2021 and 31 December 2020.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

6. CASH AND CASH EQUIVALENTS

	30 June 2021	31 December 2020
Banks		
- Time deposits	3,586,942,675	2,723,384,337
- Demand deposits	394,380,230	209,841,298
Allowances for expected credit losses (-)	(39,976,063)	(28,771,433)
	3,941,346,842	2,904,454,202

As of 30 June 2021, TRY794,334,907 of bank deposits (31 December 2020: TRY705,884,661) are held by related parties and institutions. The expected loan loss provision of the related banks and corporations is calculated to be TRY6,923,670 (31 December 2020: TRY7,825,318) (Note 29).

TRY389,431,187 of demand deposits (31 December 2020: TRY201,128,882) are held by the Group's bank accounts in the collateral status of the Group's customers (Note 16).

As of 30 June 2021, the average maturity for TRY, EUR and US Dollars time deposits are 8, 55 and 57 days (31 December 2020: for TRY and EUR 15, 48 and 46 days) respectively, while the average interest rates are 18.01%, 1.15% and 2.02% (31 December 2020: 18.19%, 2.32% and 3.62%) respectively.

For the purpose of statement of cash flows, details of cash and cash equivalents are as follows:

	30 June 2021	31 December 2020
Time deposits with maturity less than 3 months	3,582,192,978	2,719,041,110
Demand deposits	4,801,773	8,712,416
Receivables from reverse repo agreements	-	-
	3,586,994,751	2,727,753,526

7. FINANCIAL INVESTMENTS

Short-term financial investments:

	30 June 2021		
	Cost	Fair value	Carrying value
Financial assets measured at fair value through profit or loss			
- <i>Shares certificates listed on the stock market</i>	40,887,825	37,744,836	37,744,836
Financial assets measured at amortised cost	55,382,239	57,988,998	58,076,953
- <i>Government bonds and treasury bills</i>	55,382,239	57,988,998	58,076,953
- <i>Allowances for expected credit losses (-)</i>	-	-	(79,602)
Financial assets measured at fair value through other comprehensive income	34,839,398	37,236,851	37,236,851
- <i>Corporate sector bonds and bills</i>	34,839,398	37,236,851	37,236,851
	131,109,462	132,970,685	133,058,640

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

**CONVENIENCE TRANSLATION INTO ENGLISH OF
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

7. FINANCIAL INVESTMENTS (Continued)

	31 December 2020		
	Cost	Fair value	Carrying value
Financial assets measured at fair value through profit or loss			
- <i>Shares certificates listed on the stock market</i>	10,162,346	10,257,451	10,257,451
	<i>10,162,346</i>	<i>10,257,451</i>	<i>10,257,451</i>
Financial assets measured at amortised cost			
- <i>Government bonds and treasury bills</i>	36,234,592	37,592,995	37,630,962
- <i>Allowances for expected credit losses (-)</i>	-	-	(51,578)
Financial assets measured at fair value through other comprehensive income			
- <i>Corporate sector bonds and bills</i>	103,413,246	107,874,679	107,874,679
	<i>103,413,246</i>	<i>107,874,679</i>	<i>107,874,679</i>
	149,810,184	155,725,125	155,763,092

Long-term financial investments:

	30 June 2021		
	Cost	Fair value	Carrying value
Financial assets measured at fair value through profit or loss			
- <i>Share certificates</i>	77,923,399	107,963,516	107,963,516
- <i>Corporate sector bonds and bills</i>	32,192,533	60,647,555	60,647,555
	<i>45,730,866</i>	<i>47,315,961</i>	<i>47,315,961</i>
	77,923,399	107,963,516	107,963,516

	31 December 2020		
	Cost	Fair value	Carrying value
Financial assets measured at fair value through profit or loss			
- <i>Share certificates</i>	43,982,533	72,626,710	72,626,710
- <i>Corporate sector bonds and bills</i>	32,192,533	60,647,555	60,647,555
	<i>11,790,000</i>	<i>11,979,155</i>	<i>11,979,155</i>
	43,982,533	72,626,710	72,626,710

As of 30 June 2021, financial assets measured at amortised cost whose the total amount of carrying value is TRY58,076,953 (31 December 2020: TRY37,630,962) are held as collaterals in CBRT, BİST and Istanbul Settlement and Custody Bank Inc. ("Takasbank") (Note 16).

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

7. FINANCIAL INVESTMENTS (Continued)

Breakdown of the financial assets measured at amortised cost are as follows:

	30 June 2021	31 December 2020
Up to 1 month	-	-
1 month - 3 months	47,292,553	-
3 months - 1 year	10,784,400	37,630,962
	58,076,953	37,630,962

The movement table of financial assets measured at amortised cost is as follows:

	2021	2020
Beginning of the period, 1 January	37,630,962	46,921,324
Purchases during the period	33,552,060	100,500,000
Value decreases (including interest re-discounts)	1,915,732	761,216
Disposals in the period (-)	(14,942,200)	(110,500,000)
Allowances for expected credit losses (-)	(79,602)	(51,578)
End of the period, 30 June	58,076,952	37,630,962

The details of long-term financial assets measured at fair value through other comprehensive income are as follows:

Type	30 June 2021		31 December 2020	
	Amount (TRY)	Share (%)	Amount (TRY)	Share (%)
Share certificates not listed on the stock market				
İstanbul Takas ve Saklama Bankası A.Ş.	57,816,000	4.38	57,816,000	4.38
Borsa İstanbul A.Ş.	2,683,145	0.08	2,683,145	0.08
Yapı Kredi Azerbaycan Ltd.	110,279	0.10	110,279	0.10
Allianz Yaşam ve Emeklilik A.Ş.	26,432	0.04	26,432	0.04
Koç Kültür Sanat ve Tanıtım Hiz. Tic. A.Ş.	11,699	4.90	11,699	4.90
	60,647,555		60,647,555	

As of 30 June 2021, the Group valued its Takasbank shares 26,280,000 with bid price of TRY2.20 announced by Takasbank notice with no. 2019/5692.

As of 30 June 2021, the Group valued its Borsa İstanbul A.Ş. shares 319,422 with bid price of TRY8,4 announced by Borsa İstanbul A.Ş. notice with no. 2016/110.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

8. NON-CURRENT ASSETS HELD FOR SALE

None (31 December 2020: None).

9. SHORT AND LONG TERM LIABILITIES

Short-term liabilities

	30 June 2021	31 December 2020
Funds from Money Markets (*)	2,530,463,391	2,322,937,445
Issued bills/bonds	830,780,207	109,503,579
Bank borrowings (**)	120,400,823	339,188,139
Funds from repo transactions	67,627,058	87,624,150
Payables from short selling	2,262,855	89,587
Liabilities from leasing activities (***)	1,805,769	2,504,912
	3,553,340,103	2,861,847,812

(*) Payables to Money Markets have an average maturity of 27 days and the average interest rate is 19.62% (31 December 2020: 40 days, 17.16%).

(**) The Group's bank borrowings have an average of 5 days and an average interest rate of 19.85% (31 December 2020: 4 days, 19.71%). (31 December 2020: 100,057,778) of the bank loans was obtained from related banks and institutions (Note 29).

(***) The Group's debts from short-term lease transactions have an average term of 12 months, and the effective interest rate is 14-24% (31 December 2020: 12 months, 14-24%). TRY379,185 of the debts from short-term leasings is debt to related parties. (31 December 2020: TRY717,034)

Details of bills/bonds issued as 30 June 2021 are as follows:

Marketable Security	Nominal Amount	Currency	Issue Date	Maturity Date	Simple Interest (%)	Compound Interest (%)	Interest Type
Bill	252,720,000	TL	18 May 2021	11 August 2021	18.99	20.66	Fixed
Bill	300,000,000	TL	26 May 2021	18 August 2021	19.03	20.67	Fixed
Bill	299,875,000	TL	9 June 2021	1 September 2021	19.05	20.61	Fixed

Details of bills/bonds issued as 31 December 2020 are as follows:

Marketable Security	Nominal Amount	Currency	Issue Date	Maturity Date	Simple Interest (%)	Compound Interest (%)	Interest Type
Bill	112,995,000	TRY	9 December 2020	10 March 2021	17.21	18.46	Fixed

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

9. SHORT AND LONG TERM LIABILITIES (Continued)

Long-term liabilities

	30 June 2021	31 December 2020
Liabilities from leasing activities (*)	654,390	1,022,795
	654,390	1,022,795

(*) The Group's debts from long-term lease transactions have a term of 1-4 years and the effective interest rate is 18% (31 December 2020: 1-4 years, 14-24%). TRY 654,390 of the debts from long-term leasings is debt to related parties (31 December 2020: TRY 1,022,795).

Movements of liabilities from leasing activities is as follows:

	2021	2020
Beginning of the period, 1 January	3,527,727	3,476,291
Additions during the period (Note 14)	764,080	1,541,065
Payments during the period	(2,058,093)	(2,154,302)
Interest expense (Note 28)	281,864	355,334
Other	(55,419)	-
End of the period, 30 June	2,460,159	3,527,707

10. TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables

	30 June 2021	31 December 2020
Receivables from customers	344,750,336	505,957,252
Receivables from loan customers	399,725,353	226,847,114
Customer receivables arising from short selling transactions	11,096,995	3,097,498
Receivables from settlement and custody bank	-	103,703,335
Commission receivables	14,405,707	18,448,918
Doubtful trade receivables	1,021,677	1,021,677
Provision for doubtful trade receivables (-)	(1,021,677)	(1,021,677)
Receivables to be collected	7,152	-
	769,985,543	858,054,117

The Group allocates credit to its customers for use in stock trading. As of 30 June 2021, the amount of loans allocated to customers by the Group is TRY399,725,353 (31 December 2020: TRY226,847,114) and the Group holds the total market value of the share certificates which are listed on the stock market is TRY1,233,031,508 as collateral (31 December 2020: TRY448,376,064) (Note 16).

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

10. TRADE RECEIVABLES AND PAYABLES (Continued)

Short-term trade payables

	30 June 2021	31 December 2020
Payables to settlement and custody	230,926,127	-
Payables to customers	438,710,423	655,020,930
Customer short selling transaction payables	11,418,952	7,370,290
Agent commission payable	8,474,163	19,652,593
Payables to vendors	3,446,934	5,942,733
Expense accruals	2,422,416	845,952
Other trade payables	115,261	344,049
	695,514,276	689,176,547

11. RECEIVABLES FROM FINANCIAL ACTIVITIES

Receivables from financial activities

	30 June 2021	31 December 2020
Investment fund management fee receivables (Note 29) (*)	15,764,138	13,959,059
Individual pension fund management fee receivables	-	6,399,544
Individual pension fund management commission receivables	1,752,407	1,662,651
Investment advisory receivables (Note 29)	-	1,006,194
Individual portfolio management fee	1,284,957	132,994
Other	12,402	4,730
	18,813,904	23,165,172

(*) Investment fund management commission receivables are obtained management fee receivables from 42 (31 December 2020:35) investment funds established in accordance with the Capital Markets Law and related legislations.

12. OTHER RECEIVABLES AND PAYABLES

Other receivables

	30 June 2021	31 December 2020
Deposits and collaterals given	271,836,750	298,176,466
Collaterals given to markets	80,917,073	23,715,335
Other short-term trade receivables	-	41,783
	352,753,823	321,933,584

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

**CONVENIENCE TRANSLATION INTO ENGLISH OF
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

12. OTHER RECEIVABLES AND PAYABLES (Continued)

Other payables

	30 June 2021	31 December 2020
Deposits and collaterals received	122,649,516	131,061,445
Payables to marketable securities disposal fund	491,346	491,344
Other payables	-	1,368
	123,140,862	131,554,157

13. PROPERTY, PLANT AND EQUIPMENT

30 June 2021	Buildings	Furniture and fixtures	Leasehold improvements	Total
Net book value, 1 January 2020	4,199,328	12,550,169	372,006	17,121,503
Additions	-	3,094,557	-	3,094,557
Disposals	-	(4,490)	-	(4,490)
Depreciation expense (-)	(147,329)	(1,870,775)	(50,052)	(2,068,156)
Net book value, 30 June 2021	4,051,999	13,769,461	321,954	18,143,414
Cost	11,026,598	34,795,141	5,206,486	51,028,225
Accumulated depreciation (-)	(6,974,599)	(21,025,680)	(4,884,532)	(32,884,811)
Net book value, 30 June 2021	4,051,999	13,769,461	321,954	18,143,414
31 December 2020				
Net book value, 1 January 2020	4,493,984	3,504,643	366,271	8,364,898
Additions	-	10,868,239	146,553	11,014,792
Disposals, net	-	-	-	-
Depreciation expense (-)	(294,656)	(1,822,713)	(140,818)	(2,258,187)
Net book value, 31 December 2020	4,199,328	12,550,169	372,006	17,121,503
Cost	11,026,598	31,705,074	5,206,487	47,938,159
Accumulated depreciation (-)	(6,827,270)	(19,154,905)	(4,834,481)	(30,816,656)
Net book value, 31 December 2020	4,199,328	12,550,169	372,006	17,121,503

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

**CONVENIENCE TRANSLATION INTO ENGLISH OF
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

14. RIGHT OF USE ASSETS

30 June 2021	Office and branches	Vehicles	Others	Total
Net book value, 1 January 2021	1,806,756	1,474,915	-	3,281,671
Additions	273,108	-	490,972	764,080
Disposals	(55,400)	-	-	(55,400)
Depreciation expense (-)	(1,206,097)	(336,059)	(245,485)	(1,787,641)
Net book value, 30 June 2021	818,367	1,138,856	245,487	2,202,710
Cost	6,190,451	2,960,984	2,128,543	11,279,978
Accumulated depreciation (-)	(5,372,084)	(1,822,128)	(1,883,056)	(9,077,268)
Net book value, 30 June 2021	818,367	1,138,856	245,487	2,202,710
31 December 2020	Office and branches	Vehicles	Others	Total
Net book value, 1 January 2020	1,623,794	1,570,736	-	3,194,530
Additions	2,605,879	713,359	917,163	4,236,401
Depreciation expense (-)	(2,422,917)	(809,180)	(917,163)	(4,149,260)
Net defter değeri, 31 December 2020	1,806,756	1,474,915	-	3,281,671
Cost	5,917,343	2,960,984	1,637,569	10,515,896
Accumulated depreciation (-)	(4,110,587)	(1,486,069)	(1,637,569)	(7,234,225)
Net book value, 31 December 2020	1,806,756	1,474,915	-	3,281,671

15. INTANGIBLE ASSETS

	30 June 2021
Net book value, 1 January 2020	30,488,937
Additions	7,693,285
Amortization (-)	(3,417,053)
Net book value, 30 June 2021	34,765,169
Cost	61,932,873
Accumulated amortization (-)	(27,167,704)
Net book value, 30 June 2021	34,765,169
	31 December 2020
Net book value, 1 January 2020	29,514,832
Additions(*)	5,706,538
Disposals	-
Amortization (-)	(4,732,433)
Net book value, 31 December 2020	30,488,937
Cost	54,305,292
Accumulated amortization (-)	(23,816,355)
Net book value, 31 December 2020	30,488,937

(*) Projects classified as intangible assets but not ready for use yet amount to TRY4,288,685 (31.12.2020: TRY6,606,240).

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

i) Short term provisions

	30 June 2021	31 December 2020
Legal provisions (*)	2,234,660	2,151,307
	2,234,660	2,151,307

(*) Total amount of several outstanding legal cases against the Group is TRY2,234,660 (31 December 2020: TRY2,151,307).

The movement of litigation provisions for the years ending 30 June 2021 and 31 December 2020 is as follows:

	2021	2020
Beginning of the period, 1 January	2,151,307	1,290,529
Provisions set aside within the period	132,453	1,000,523
Payments during the year	(49,100)	(139,745)
End of the period, 30 June	2,234,660	2,151,307

ii) Collaterals given

	30 June 2021	31 December 2020
Guarantee letters	2,541,131,746	2,396,252,030
	2,541,131,746	2,396,252,030

Letters of guarantee are given to BIST, CMB and to Takasbank for money market transactions. Foreign currency denominated letters of guarantee amount to TRY126,329,045 (31 December 2020: TRY106,527,329).

iii) Cash collaterals given on behalf of customers

	30 June 2021	31 December 2020
VİOP collaterals given on behalf of customers (*)	922,798,699	843,858,114
	922,798,699	843,858,114

(*) As of 30 June 2021 cash amounting to TRY922,798,699 has been pledged by the Group as collateral for the Futures and Options Market on behalf of the customers (31 December 2020: TRY843,858,114)

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

iv) Customer deposits

Treasury bills, government bonds, share certificates and other financial assets held in trust for hiding on behalf of customers as of 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021	31 December 2020
Customer deposits		
Share certificates	4,671,337,942	1,660,266,454
Government bonds	2,870,983,919	3,212,101,204
Reverse repo agreements (Money Markets)	957,506,561	506,292,240
Investment funds	442,516,171	854,371,106
Private sector bonds	9,132,817	11,011,639
Other	8,157,702	11,579,896

v) Other

- The company is under the scope of "Professional Liability" amounting to 5,000,000USD (31 December 2020: TRY6,676,500) which was made by HDI Sigorta A.Ş. and "Employer Liability Insurance Policy" amounting to TRY5,000,000 (31 December 2020: TRY9,000,000).
- Demand deposits amounting to TRY389,431,187 (31 December 2020: TRY201,128,882) belongs to the Group's customers as a partial collateral and are held in the Group's bank accounts (Note 6).
- The Group allocates credit to its customers for use in stock trading. As of 30 June 2021, the Group has TRY399,725,353 (31 December 2020: TRY229,944,612) of loans granted to its customers and the total market value of the shares kept as collateral against those credits given is amounting to TRY1,233,031,508 (31 December 2020: TRY448,376,064) (Note 10).
- The financial assets measured at their amortised costs and having a carrying value of TRY58,076,953 as of 30 June 2021 (31 December 2020: TRY37,630,962) are pledged as collateral at CBRT, BIST, and Takas ve Saklama Bankası A.Ş. ("Takasbank") (Note 7).

17. DERIVATIVE INSTRUMENTS

Nominal details of derivative transactions as of 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021		31 December 2020	
	TRY Equivalent		TRY Equivalent	
	USD	EUR	USD	EUR
Swap transactions (buy)	3,075,955,179	387,947,048	441,549,535	1,950,949,208
Swap transactions (sell)	3,044,446,353	377,267,800	409,966,925	1,823,117,889
Forward transactions (buy)	8,450,631	461,680	1,552,348	4,658,801
Forward transactions (sell)	8,356,296	448,130	1,441,366	4,338,691
	6,137,208,459	766,124,658	854,510,174	3,783,064,589

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

17. DERIVATIVE INSTRUMENTS (Continued)

Receivables from derivative transactions

	30 June 2021	31 December 2020
Swap transactions	10,147,761	132,601,943
Forward transactions	20,313	357,003
	10,168,074	132,958,946

Payables from derivative transactions

Swap transactions	33,013,163	-
Forward transactions	89,923	-
	33,103,086	-

18. PROVISION FOR EMPLOYEE BENEFITS

	30 June 2021	31 December 2020
Short-term provisions		
Employee premium provision	14,895,678	26,242,787
	14,895,678	26,242,787
Long-term provisions		
Provision for employee termination benefits	12,748,278	11,670,627
Provision for unused vacation	4,077,887	2,100,587
	16,826,165	13,771,214

Under the Turkish Labour Law, the Group required to pay the employment termination benefits to each employee who have completed one year of service at the Group when they retire (for women 58, for men 60) and when they are dismissed or called up for military services or die. Due to changes in the Law on 8 September 1999, some sections regarding the temporary period related with the working period before retirement have been removed.

The indemnity is one month's salary for each working year and is limited to TRY8,284.51 as of 30 June 2021 (31 December 2020: TRY7,639).

The liability is not funded, as there is no legal funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of employees.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

18. PROVISION FOR EMPLOYEE BENEFITS (Continued)

TFRS requires actuarial valuation methods to be developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions have been used in the calculation of the total liability.

	30 June 2021	31 December 2020
Discount rate (%)	4.63	4.63
Turnover rate to estimate retirement probability (%) (*)	95.48	95.48

(*) The rate reflects the parent company's rate.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The liability is revised two times in a year and in the year-end calculation, the effective amount as of 1 July 2021 of TRY8,284.51 (1 January 2021: TRY7,639).

Movement of provision for employee benefits during the period are as follows:

	2021	2020
Beginning of the period, 1 January	11,670,627	11,174,984
Interest cost	701,996	644,045
Current service cost	127,952	1,380,434
Actuarial gain/(loss)	856,885	959,725
Payments during the period (-)	(609,182)	(2,488,561)
End of the period, 30 June	12,748,278	11,670,627

Movement of provision for unused vacations during the period are as follows:

	2021	2020
Beginning of the period, 1 January	2,100,587	3,122,600
Provisions set aside within the period	2,036,521	(325,434)
Payments during the period (-)	(59,221)	(696,579)
End of the period, 30 June	4,077,887	2,100,587

Movement of provision for employee benefits during the period are as follows:

	2021	2020
Beginning of the period, 1 January	26,242,787	19,210,501
Provisions set aside within the period	12,383,921	25,714,461
Payments during the period (-)	(23,731,029)	(18,682,175)
End of the period, 30 June	14,895,679	26,242,787

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

19. PAYABLES FOR EMPLOYEE BENEFITS

	30 June 2021	31 December 2020
Tax and liabilities to be paid	3,066,782	4,310,912
Social security premium to be paid	1,124,563	889,893
	4,191,345	5,200,805

20. PREPAID EXPENSES

	30 June 2021	31 December 2020
Prepaid expenses	7,109,336	5,847,409
Commissions for letters of guarantees	1,399,180	1,264,375
	8,508,516	7,111,784

21. OTHER ASSETS AND LIABILITIES

	30 June 2021	31 December 2020
Other short-term liabilities		
Other payable taxes and funds	18,082,340	8,247,354
Other expense provisions	6,338,620	28,170,611
Blocked customer deposits	4,788,139	3,431,451
Takasbank-BIST commissions provision	4,064,096	10,056,757
Provision for operating expenses	630,000	377,515
Other	16,725	1,222,132
	33,919,920	51,505,820

22. SHAREHOLDER'S EQUITY

Paid-in capital and adjustment differences

The paid-in capital of the Company is TRY98,918,083 (31 December 2020: TRY98,918,083) and consists of 9,891,808,346 (31 December 2020: 9,891,808,346) authorized shares with a nominal value of Kr1 each.

The Group has no preferred share as of 30 June 2021 (31 December 2020: None).

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

22. SHAREHOLDER'S EQUITY (Continued)

Paid-in capital and adjustment differences

The shareholders and their shares in capital with historic values as of 30 June 2021 and 31 December 2020 are as follows:

Name of the shareholders	30 June 2021		31 December 2020	
	TRY	Share (%)	TRY	Share (%)
Yapı ve Kredi Bankası A.Ş.	98,895,466	99.98	98,895,466	99.98
Temel Ticaret ve Yatırım A.Ş.	20,951	0.02	20,951	0.02
Other	1,666	0.00	1,666	0.00
	98,918,083	100.00	98,918,083	100.00
Adjustments to share capital	63,078,001		63,078,001	
	161,996,084		161,996,084	

Adjustment to share capital represents the difference between total restatement effect of cash and cash equivalent contributions to share capital due to the inflation adjustments and total amount before the inflation adjustment. There is no use of the adjustment to share capital other than to be added to the capital.

According to Turkish Commercial Code, legal reserves consist of primary and secondary reserves. Primary reserves are reserved at 5% rate of legal profit in the period until they reach a level of 20% of the group capital. Secondary reserves are reserved at a rate of 10% of all dividend distribution exceeding 5% of group capital. Primary and secondary reserves cannot be distributed until they exceed 50% of the total capital, however, they can be used to cover losses when voluntary reserves are exhausted.

As of 30 June 2021, restricted reserves are amounting to TRY186,831,858 (31 December 2020:TRY184,106,085).

Restricted reserves

	30 June 2021	31 December 2020
Real estate and affiliate sales gain fund (*)	107,765,514	107,765,514
Primary legal reserves	60,175,244	57,449,471
Secondary legal reserves	18,891,100	18,891,100
Total restricted reserves	186,831,858	184,106,085

(*) As of 30 June 2021, TRY107,765,514 of the TRY4,626,817 which is the gain on sale of property, equipment and subsidiary classified under equity, is 75% of the profit from the sale of buildings in the year 2010 and TRY103,138,697 is the 75% of the profit from the sale of subsidiaries in the year 2013.

The Group performs dividend distribution in accordance with the Communiqué on Dividends II-119.1 of the Capital Market Board effective as of 1 February 2014.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

22. SHAREHOLDER'S EQUITY (Continued)

In accordance with the Communiqué on Dividends II-19.1 of the Capital Market Board effective as of 1 February 2014, the dividend distribution rate for non-listed companies may not be less than twenty percent of the net distributable profit for the period including donations. In accordance with the same communiqué, non-listed companies are required to distribute the profit share in whole and in cash; and they cannot benefit from the practice of profit distribution by installments, which is granted to listed companies.

In accordance with the provisions of the said communiqué, non-listed companies may choose not to distribute dividends in the event that the calculated profit share is less than five percent of the capital stock in the most recent annual financial statements to be presented to the general assembly or in the event that the net distributable profit for the period is less than TRY100,000 according to these financial statements. In this case, the undistributed dividends are distributed in subsequent periods.

At the Company's Ordinary General Assembly meeting dated 4 March 2021 it was unanimously decided to distribute, in cash, a dividend of TRY32,203,640 (2020: TRY115,223,684) to the company's shareholders, and this amount was paid to shareholders on 15 March 2021.

	2021	2020
Beginning of the period, 1 January	18,415,294	10,402,458
Minority interest decrease due to dividend payment (*)	(10,774,998)	(5,070,587)
Minority interest net income	7,878,913	13,083,423
End of the period, 30 June	15,519,209	18,415,294

(*) Decrease in non-controlling interests due to profit distribution represents profit share distribution of the subsidiary during the period, share of the subsidiaries of the subsidiary excluding the Company.

23. TAX ASSETS AND LIABILITIES

Corporate tax

	30 June 2021	31 December 2020
Corporate taxes payable (-)	(112,583,525)	(42,824,161)
Less: Prepaid taxes (-)	94,899,879	53,853,965
(Current period tax liabilities) / current period tax assets, net	(17,683,646)	11,029,804

The Group's income tax expense for the periods ended 30 June 2021 and 31 December 2020 consists of the following items:

	1 January - 30 June 2021	1 January - 30 June 2020
Current period tax expense	112,851,424	21,087,193
Deferred tax (income)/expense	(32,384,037)	13,035,290
Prior year tax adjustment	(2,576,549)	(2,775,490)
Total tax expense	77,890,838	31,346,993

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

23. TAX ASSETS AND LIABILITIES (Continued)

Reconciliation of current year tax expense and calculated theoretical tax expense with statutory tax rate by the Group:

	1 January - 30 June 2021	1 January - 30 June 2020
Profit before tax	301,158,789	155,327,061
Theoretical tax expense arising at the legal tax rate(*)	(75,289,697)	(34,171,953)
Impact of the dividend income that is not subject to tax	3,802,357	3,170,796
Impact of other adjustments	(3,008,031)	(345,836)
Other	(3,391,336)	-
Current period tax expense	(77,886,707)	(31,346,993)

(*) As of 30 June 2021, the theoretical tax rate is 25% (31 December 2020: 22%).

The corporate tax rate is 20% in accordance with the article number 32 of the New Corporate Tax Law no.5520 which is published in the official Gazette dated June 21, 2006 and numbered 26205. In accordance with the 11 and 14th articles of the Law numbered 7316 on "Amendment of Law on Collection Procedure of Public Receivables and Certain Laws" published in the Official Gazette dated April 22, 2021 and numbered 31462, starting from the declarations that must be submitted starting from July 1, 2021 and to be valid for the taxation period starting from January 1, 2021, corporate tax rate will be applied as 25% for enterprises' corporate income belonging to the taxation periods of 2021 and 23% for enterprises' corporate income belonging to the taxation periods of 2022. The corporate tax rate is still applied as 20% in the first provisional tax declaration for the corporate income belonging to the taxation periods of 2021 but as of second provisional tax declaration the rate of 25% will be applied.

Corporate tax rate business income tax in accordance with the laws of the institutions to be added as unacceptable the reduction of costs in the tax laws, exemptions and reductions to the tax base found as a result of the reduction that will be applied. Additional tax is not payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% in accordance with 94th article of Income Tax Law. Addition of profit to share is not considered as dividend payment.

Corporations are required to pay advance corporate tax quarterly on their corporate income. Advance tax is declared and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

23. TAX ASSETS AND LIABILITIES (Continued)

In Turkey, there is no procedure for a final and definitive agreement with the tax authorities on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the last evening of the fourth month following the balance sheet date and the accrued tax is paid same day.

Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. However, losses cannot be carried back to offset profits from previous periods.

There are numerous exemptions in Corporate Tax Law concerning corporations. Accordingly, earnings of the above-mentioned nature, which are in the commercial profit/loss figures, have been taken into account in the calculation of corporate tax.

In addition to exemptions explained above, tax deductions specified in Corporation Tax Law articles 8, 9, 10, and Income Tax Law article 40, are also considered in the assessment of the corporation tax base.

Deferred tax assets and liabilities

	30 June 2021	31 December 2020
Deferred tax assets	29,638,443	19,423,765
Deferred tax liabilities	(14,710,266)	(37,175,451)
Deferred tax assets/(liabilities), net	14,928,177	(17,751,686)

Deferred tax assets and liabilities based upon temporary differences are as follows:

	30 June 2021		31 December 2020	
	Cumulative temporary differences	Deferred tax assets/ liabilities	Cumulative temporary differences	Deferred tax assets/ liabilities
Allowances for expected credit losses (-)	40,533,150	9,322,625	30,065,883	6,013,177
Derivative transactions	33,103,086	8,275,772	-	-
Provision for employee termination benefits	12,748,278	2,549,656	11,670,627	2,334,125
Provision for employee bonus	10,321,356	2,580,339	19,170,688	4,217,551
Provision for unused vacation	4,077,888	1,019,472	2,100,587	420,118
Valuation differences of financial assets	2,837,917	652,721	-	-
Legal provision	2,234,660	513,972	2,151,307	430,261
Expense accruals	456,521	114,130	1,303,163	286,696
IFRS 16 effect	246,858	56,777	247,419	49,484
Other	18,211,915	4,552,979	25,783,424	5,672,353
Deferred tax assets		29,638,443		19,423,765
Financial assets revaluation differences	28,436,807	6,540,466	28,585,802	5,717,160
Difference between the tax base and carrying amount of non-current assets	13,777,365	3,444,341	15,079,951	3,015,990
Derivative transactions	10,168,074	2,542,018	132,958,946	26,591,789
Investments in progress	206,892	51,723	115,733	23,147
Other	9,829,553	2,131,718	-	-
Other (22% subject to corporate tax effect)	-	-	7,442,554	1,637,362
Other (20% subject to corporate tax effect)	-	-	950,016	190,003
Deferred tax liabilities (-)		14,710,266		37,175,451
Deferred tax liabilities, net		14,928,177		(17,751,686)

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

**CONVENIENCE TRANSLATION INTO ENGLISH OF
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

23. TAX ASSETS AND LIABILITIES (Continued)

	1 January - 30 June 2021	1 January - 30 June 2020
Beginning balance of deferred tax assets/(liabilities), net	(17,751,686)	18,731,203
Deferred tax income/(expense)	32,388,168	(13,035,290)
Deferred tax accounted under equity	291,695	(218,682)
Period end deferred tax assets/(liabilities), net	14,928,177	5,477,231

24. REVENUE AND COST OF SALES

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Revenue				
Share certificates sales	2,142,000,065	1,328,099,585	1,825,279,855	761,446,217
Commissions on intermediary activities on stock market	235,270,195	74,126,886	143,608,805	83,199,161
Futures exchange intermediary commissions	70,595,624	30,149,802	18,501,086	8,787,418
Treasury bills and government bonds sales	42,056,524	194,755	24,843,217	12,883,828
Corporate finance fees	27,923,295	19,786,096	9,007,301	5,386,801
Other intermediary commissions	19,345,312	5,564,033	12,671,639	7,344,615
Commissions from leveraged transactions	6,677,008	2,985,817	8,352,532	3,229,982
Intermediary commissions for repurchase transactions	3,148,414	1,738,011	3,510,972	1,889,226
Custody commissions	2,425,282	1,519,998	1,256,471	805,129
Consultancy services	1,347,308	225,833	725,956	380,124
Fund support / management fees	893,029	351,705	1,037,299	525,751
Intermediary commission income from definite buy-sale transactions	2,309	1,000	69,748	43,584
Other services income	25,056,543	11,001,912	33,187,788	18,523,444
Total revenue	2,576,740,908	1,475,745,433	2,082,052,669	904,445,280
Service income discounts and allowances				
Commissions paid to agencies (-)	95,529,082	32,911,798	57,226,487	33,572,966
Commission returns (-)	1,501,577	533,300	658,932	162,164
Total discounts and allowances (-)	97,030,659	33,445,098	57,885,419	33,735,130
Revenue	2,479,710,249	1,442,300,335	2,024,167,250	870,710,150
Cost of sales				
Costs of share certificate sales (-)	2,141,769,405	1,332,961,189	1,842,148,443	757,949,483
Costs of treasury bills and government bond sales (-)	42,034,265	193,704	24,832,326	12,875,892
Total cost of sales (-)	2,183,803,670	1,333,154,893	1,866,980,769	770,825,375
Gross operating profit from trading operations	295,906,579	109,145,442	157,186,481	99,884,775

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

**CONVENIENCE TRANSLATION INTO ENGLISH OF
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

25. REVENUE AND COST OF FINANCIAL ACTIVITIES

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Revenue from financial activities				
Investment funds management fee	82,434,789	43,414,602	56,373,033	29,338,350
Individual pension funds management fee	9,442,783	4,906,264	7,192,568	3,728,609
Total fund management fee	91,877,572	48,320,866	63,565,601	33,066,959
Discretionary portfolio management commission	771,366	385,766	682,324	367,484
Portfolio success premiums	701,389	501,038	1,692,564	1,668,138
Discretionary portfolio management income	1,472,755	886,804	2,374,888	2,035,622
Portfolio success premiums	1,814,603	1,814,603	1,076,902	1,076,902
Discretionary portfolio management income	1,814,603	1,814,603	1,076,902	1,076,902
Total financial activities revenue (a)	95,164,930	51,022,273	67,017,391	36,179,483
Financial activities cost				
Commission expenses	(847,842)	(438,910)	(1,397,258)	(706,152)
Commission expenses for investment and private pension fund management	(1,106,741)	(518,280)	(571,419)	(129,424)
Total financial activities cost (b)	(1,954,583)	(957,190)	(1,968,677)	(835,576)
Gross profit from financial sector activities (a-b)	93,210,347	50,065,083	65,048,714	35,343,907

26. OPERATING EXPENSES

General administrative expenses

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Personnel expenses	59,511,754	30,749,261	51,151,108	24,736,983
Information services expenses	13,058,095	6,967,337	9,336,687	4,878,443
Data processing expenses	9,017,565	5,500,237	2,857,759	1,902,049
Depreciation and amortization expenses	7,272,854	3,962,050	5,013,196	2,529,378
Taxes, duties and charges	5,824,727	3,335,170	2,175,620	1,046,210
Communication expenses	1,692,111	111,697	2,150,537	1,164,330
Other	8,977,867	4,790,681	6,992,553	3,039,304
	105,354,973	55,416,433	79,677,460	39,296,697

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

**CONVENIENCE TRANSLATION INTO ENGLISH OF
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

26. OPERATING EXPENSES (Continued)

Marketing expenses

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Brokerage and other operational fees	66,897,019	23,253,182	36,457,137	18,902,904
Other	8,753,592	7,303,073	1,738,758	810,581
	75,650,611	30,556,255	38,195,895	19,713,485

27. OTHER INCOME FROM OPERATING ACTIVITIES

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Income due to derivative operations	380,884,267	(3,661,459)	86,007,231	(50,573,453)
Interest income on deposit at banks	41,843,836	21,958,273	65,411,861	49,579,850
Interest income on loans	35,422,887	19,683,068	17,307,969	7,582,545
Other interest income	21,390,907	10,104,256	4,733,338	1,506,009
Dividend income	15,209,426	12,939,440	14,412,708	13,940,027
Interest income on treasury bills and government bonds	6,736,806	3,293,207	5,728,805	3,420,951
Expected allowances for credit losses	-	-	1,969,879	1,969,879
Other income	8,414,477	646,836	6,621,755	4,028,215
	509,902,606	64,963,621	202,193,546	31,454,023

28. OTHER EXPENSE FROM OPERATING ACTIVITIES

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Interest paid to money markets	196,124,468	104,554,515	79,942,346	44,342,115
Losses from derivative transactions	166,075,552	(129,453,147)	9,019,124	(54,383,508)
Interest expense from issued bonds and bills	22,657,450	18,003,006	22,183,173	9,579,316
Expected allowances for credit losses	10,494,407	10,494,407	-	-
Other interest expenses	6,183,079	2,955,465	13,063,893	928,777
Commissions paid for guarantee letters	5,481,154	2,817,833	5,183,794	2,066,726
Commission expenses	5,064,352	1,918,235	17,258,531	12,167,230
Interest expense from leasing liabilities (Note 9)	281,864	123,446	355,334	157,043
Impairment of financial investments	-	-	-	(953,699)
Other expenses	4,492,833	3,467,069	4,222,130	2,749,092
	416,855,159	14,880,829	151,228,325	16,653,092

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

**CONVENIENCE TRANSLATION INTO ENGLISH OF
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

(a) Cash and cash equivalents from related parties

	30 June 2021	31 December 2020
Yapı ve Kredi Bankası A.Ş.	794,334,907	705,884,661
Allowances for expected credit losses (-)	(6,923,670)	(7,825,318)
	787,411,237	698,059,343

(b) Short-term financial investments from related parties

	30 June 2021	31 December 2020
Financial assets measured at fair value through other comprehensive income	-	102,013,233
Yapı ve Kredi Bankası A.Ş.	-	49,747,605
- Private sector bonds and bills	-	50,398,971
- Allowances for expected credit losses (-)	-	(651,366)
- Arçelik A.Ş.	10,333,626	-
- Corporate sector bonds and bills	10,343,202	-
- Allowances for expected credit losses (-)	(9,576)	-
- Koç Finansman A.Ş.	23,574,891	32,229,513
- Corporate sector bonds and bills	23,886,695	32,633,403
- Allowances for expected credit losses (-)	(311,804)	(403,890)
- Koç Fiat Kredi Fin. A.Ş.	-	10,774,804
- Corporate sector bonds and bills	-	10,911,101
- Allowances for expected credit losses (-)	-	(136,297)
- Türkiye Petrol Rafinerileri A.Ş.	9,319,106	9,261,311
- Corporate sector bonds and bills	9,335,175	9,270,139
- Allowances for expected credit losses	(16,069)	(8,828)
	43,227,623	102,013,233

(c) Receivables due from related parties

Trade receivables

	30 June 2021	31 December 2020
Yapı Kredi Portföy Yönetimi A.Ş. Investment Funds	70,145,879	42,379,186
Allianz Yaşam ve Emeklilik A.Ş. Retirement Funds	50,223,847	34,286,216
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	620,288	470,651
Yapı ve Kredi Bankası A.Ş.	71,890	1,824,779
Other	23,409	1,092,094
	121,085,313	80,052,926

Receivables from financial activities

Yapı Kredi Portföy Yönetimi A.Ş. Investment Funds (Note 11)	15,764,138	13,959,059
Allianz Yaşam ve Emeklilik A.Ş. Retirement Funds	1,749,663	8,062,195
Other	148,303	1,006,194
	17,662,104	23,027,448

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY**CONVENIENCE TRANSLATION INTO ENGLISH OF
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)**Prepaid expenses**

Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	707,217	557,580
	707,217	557,580

(d) Payables due to related parties

	30 June 2021	31 December 2020
Short and long-term liabilities		
Bank loans		
Yapı ve Kredi Bankası A.Ş.	-	100,057,778
	-	100,057,778
Short-term liabilities from leasing activities		
Yapı ve Kredi Bankası A.Ş.	837,085	1,665,667
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	699,342	667,806
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	254,025	-
	1,790,452	2,333,473
Long-term liabilities from leasing activities		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	654,390	1,022,795
Yapı ve Kredi Bankası	-	-
	654,390	1,022,795
Trade payables		
Allianz Yaşam ve Emeklilik A.Ş.	26,635,656	97,668,254
Yapı ve Kredi Bankası A.Ş.	10,719,195	19,628,609
Yapı Kredi Portföy Investment Funds	24,544,598	34,269,163
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	1,730,696	470,961
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	134,002	108,985
Zer Merkezi Hizmetler ve Tic. A.Ş.	130,341	13,590
Other	481,588	4,185
	64,376,076	152,163,747
Other payables		
YKS Tesis Yönetimi Hizmetleri A.Ş.	-	1,368
	-	1,368
Derivative assets/(liabilities), net		
Yapı ve Kredi Bankası A.Ş.	(3,382,692)	25,540,001
	(3,382,692)	25,540,001

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

**CONVENIENCE TRANSLATION INTO ENGLISH OF
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

(e) Income from related parties

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Yapı Kredi Portföy Investment funds	82,416,399	68,327,234	56,373,033	29,338,350
Yapı ve Kredi Bankası A.Ş.	11,348,976	6,362,147	9,261,918	5,536,612
Allianz Hayat ve Emeklilik A.Ş. Retirement Funds	9,427,817	4,898,726	7,180,567	3,720,273
Koç Fiat Kredi Finansman A.Ş.	112,500	-	312,500	312,500
Koç Finansman A.Ş.	350,000	237,500	-	-
Other	3,492,414	836,110	285,592	170,057
	107,148,106	80,661,717	73,413,610	39,077,792

Interest income from related parties

Yapı ve Kredi Bankası A.Ş.	13,579,579	4,996,470	1,228,534	791,840
	13,579,579	4,996,470	1,228,534	791,840

Derivative income from related parties

Yapı ve Kredi Bankası A.Ş. (*)	(16,311,081)	2,177,547	58,810,117	6,360,236
	(16,311,081)	2,177,547	58,810,117	6,360,236

(*) Derivative contracts totaling TRY1,349,371,879 had been entered into with Yapı ve Kredi Bankası as of 30 June 2021. (31 December 2020: TRY523,314,982).

Dividend income from related parties

Takas ve Saklama Bankası A.Ş.	9,460,800	9,460,800	12,483,000	12,483,000
Borsa İstanbul A.Ş.	399,277	-	178,717	178,717
Allianz Yaşam ve Emeklilik A.Ş.	92,586	-	74,432	-
	9,952,663	9,460,800	12,736,149	12,661,717

(f) Expenses paid to related parties

Operating expenses paid to related parties

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Koç Sistem Bilgi ve İletişim Hizm. A.Ş.	4,206,969	2,748,301	2,295,904	1,469,081
Yapı ve Kredi Bankası A.Ş.	906,830	302,436	1,389,683	743,279
YKS Tesis Yönetimi A.Ş.	555,993	297,729	693,195	290,231
Otokoç Otomotiv Tic. ve San. A.Ş.	503,165	264,242	444,360	221,297
Allianz Sigorta A.Ş.	304,389	202,362	367,973	237,817
Avis A.Ş.	462,731	240,378	356,938	185,946
Other	988,753	693,835	637,475	250,923
	7,928,830	4,749,283	6,185,528	3,398,574

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

29. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

Commission expenses paid to related parties

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Yapı ve Kredi Bankası A.Ş.	979,408	525,402	56,254,071	32,874,272
Other	283,535	128,331	249,348	(188,796)
	1,262,943	653,733	56,503,419	32,685,476

Financial expenses paid to related parties

Yapı ve Kredi Bankası A.Ş.	2,211,284		2,465,225	273,932
Other	181,791		234,975	98,221
	2,393,075		2,700,200	372,153

Benefits provided to key management

Top management consists of members and chairman of board of directors, general managers and vice general manager. As of 30 June 2021, the total amount of salary and other benefits provided to the top management by the Group is TRY3,114,577 (1 January - 31 December 2020: TRY2,279,824).

Dividends paid to related parties

The Group paid dividend amounting to TRY42,978,638 in 30 June 2021 (31 December 2020:TRY120,294,271) (Note 22).

30. EARNINGS PER SHARE

The calculation of earnings per share for the years ending 30 June 2021 and 2020 is as follows:

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Total profit from continuing operations	223,272,082	83,548,054	123,980,068	73,751,787
Weighted average number of shares	9,891,808,346	9,891,808,346	9,891,808,346	9,891,808,346
Earnings per share from continuing operations (Kr)	2.26	0.84	1.25	0.75

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

30. EARNINGS PER SHARE (Continued)

	1 January - 30 June 2021	1 April - 30 June 2021	1 January - 30 June 2020	1 April - 30 June 2020
Total comprehensive income	222,235,690	82,286,280	124,755,395	74,189,822
Weighted average number of shares	9,891,808,346	9,891,808,346	9,891,808,346	9,891,808,346
Comprehensive income per share from continuing operations (Kr)	2.25	0.83	1.26	0.75

The company does not have any diluted shares (31 December 2020: None).

31. FINANCIAL RISK MANAGEMENT

The Group is subject to risks because of its commercial activities. The details and management of these risks are explained below. The Group management is fully responsible for the management of financial risk.

a. Information on credit risk

Credit risk is the risk that one party to a financial instrument will fail to meet the terms of their agreements as foreseen and cause the other party to incur a financial loss.

For the loans provided, a default risk that the counterparty will not be able to fulfill the liabilities associated with the loan is present. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group also manages credit risk by keeping equity shares obtained from loan customers as collateral. Credit risk is fully concentrated in Turkey where the Group mainly operates.

Limits of new credits and additional credit limits are bound by the limits approved by Credit Committee and Board of Directors. Limits to be provided to customers are initially proposed by the Credit Committee and approved by the Board of Directors.

The Group makes a regular collateral/equity check for credit transactions where the current equity and benchmark equity is compared. If the collateral amount falls below the benchmark amount, additional collateral is requested from the customer.

The common stocks which the customers would like to buy using credit are bound to be in the "Marketable Securities Accepted for Credit Purchase" list. The items to be included in this list are determined by considering factors like transaction volume, changes in transaction volume, free float rate, liquidity and amount of shares in circulation. The common stocks in the customer's portfolio are accepted, as collateral if the customer would like to buy common stocks other than the stocks listed in "Marketable Securities Accepted for Credit Purchase".

The share of the receivables from the biggest 10 credit customers in the total receivables from credit customers of the Group is 71% (31 December 2020: 65%).

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

31. FINANCIAL RISK MANAGEMENT (Continued)

The table below shows credit risk exposure based on financial instruments as of 30 June 2021 and 31 December 2020. In the determination of the maximum amount of credit risk exposure, in addition to the collaterals received, factors that lead to credit enhancement are not taken into account.

	Receivables				Bank deposits	Financial Investments	Derivatives
	Trade receivables		Other receivables				
	Related party	Other	Related party	Other			
30 June 2021							
Total credit risk exposure (A+B+C)	121,085,313	648,900,230	-	352,753,823	3,941,346,842	241,022,156	10,168,074
- Amount of risk that is guaranteed with collateral	-	399,725,353	-	-	-	-	-
A. Net book value of financial assets that are not past due or impaired	121,085,313	648,900,230	-	352,753,823	3,981,322,905	241,579,243	-
B. Net book value of impaired assets	-	-	-	-	(39,976,063)	(557,087)	-
- Past due (gross book value)	-	1,021,677	-	-	-	-	-
- Impairment	-	(1,021,677)	-	-	(39,976,063)	(557,087)	-
- Part of net amount that is guaranteed by collateral	-	-	-	-	-	-	-
C. Off balance sheet items with credit risk	-	-	-	-	-	-	10,168,074
	Receivables				Bank deposits	Financial Investments	Derivatives
	Trade receivables		Other receivables				
	Related party	Other	Related party	Other			
31 December 2020							
Total credit risk exposure (A+B+C)	80,052,926	778,001,191	-	321,933,584	2,904,454,202	228,389,802	132,958,946
- Amount of risk that is guaranteed with collateral	-	229,944,612	-	-	-	-	-
A. Net book value of financial assets that are not past due or impaired	80,052,926	778,001,191	-	321,933,584	2,933,225,635	229,684,252	-
B. Net book value of impaired assets	-	-	-	-	(28,771,433)	(1,294,450)	-
- Past due (gross book value)	-	1,021,677	-	-	-	-	-
- Impairment	-	(1,021,677)	-	-	(28,771,433)	(1,294,450)	-
- Part of net amount that is guaranteed by collateral	-	-	-	-	-	-	-
C. Off balance sheet items with credit risk	-	-	-	-	-	-	132,958,946

(*) An expected credit loss provision of TRY39,976,063 was allocated for bank deposits (31 December 2020: TRY28,771,433). (Note 6)

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

31. FINANCIAL RISK MANAGEMENT (Continued)

b. Information on market risk

Interest rate risk

The need of Group's dealing ways with interest risk rate arises from effects of interest rates changes on the financial instruments. The sensitivity of the Group to interest rate risk is related with maturity mismatch of assets and liabilities. This risk is managed through corresponding assets that are sensitive to interest rates with similar liabilities.

Financial assets classified in the Group's balance sheet either as financial assets measured at fair value through other comprehensive income or treasury bills and government treasuries measured at amortised cost with floating interest rate are exposed to price risk due to interest rate changes. Those with fixed interest rates from financial assets measured at amortised cost may be exposed to risk of re-investment if they are directed to re-invest the resulting cash.

The table below shows the interest rate position details and sensitivity analysis as of 30 June 2021 and 31 December 2020:

Interest rate position table

Fixed rate financial instruments

	30 June 2021	31 December 2020
Financial assets		
Banks	3,586,942,675	2,723,384,337
Receivables from reverse repo agreements	-	-
Financial liabilities		
Funds generated from Money Market	2,530,463,391	2,322,937,445
Marketable securities issued	830,780,207	109,503,579
Bank borrowings	120,400,823	339,188,139
Funds generated from repo transactions	67,627,058	87,624,150
Leasing payables	2,460,159	3,527,707

Floating rate financial instruments

	30 June 2021	31 December 2020
Financial assets		
Financial assets measured at amortised cost(*)	58,076,953	37,630,962
Fair value through other comprehensive income	84,552,812	119,853,834

(*) Interest bearing financial instruments are classified as financial assets measured at amortised cost.

Due to the effect of interest rate changes on floating rate financial assets, if the interest in TRY currency was 100 basis points higher/lower as of 31 December 2021 and all other variables remained constant, the profit would increase by TRY1,426,298 (31 December 2020: TRY1,574,848) or TRY1,426,298 (31 December 2020: TRY1,574.848) would decrease.

Financial liabilities with fixed interest rates and financial assets measured at amortised cost with fixed interest rates are assumed insensitive to changes in market interest rates. If the financial assets measured in these circumstances are measured at amortised cost, the redemption rate may be exposed to risk if the resulting cash is redirected to cash.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

31. FINANCIAL RISK MANAGEMENT (Continued)

As of 30 June 2021 and 31 December 2020, average interest rates of financial instruments:

	30 June 2021		31 December 2020	
	TRY (%)	EUR (%)	TRY (%)	EUR (%)
Assets				
Cash and cash equivalents	18.01	1.15	18.19	2.32
Financial assets measured at fair value through other comprehensive income	17.88	-	10.56	-
Financial assets measured at amortised cost	15.28	-	12.17	-
Liabilities				
Issued bonds and bills	20.65	-	18.46	-
Bank loans	19.85	-	19.71	-
Funds from Money Market	19.62	-	17,16	-

The Group's assets and liabilities are grouped based on their repricing maturities as follows as of 30 June 2021 and 31 December 2020:

	30 June 2021					Total
	Up to 1 month	Up to 3 months	3 months to 1 year	1 year- to 5 years	Non-interest bearing	
Cash and cash equivalents	1,617,675,668	1,933,516,534	-	-	390,154,640	3,941,346,842
Financial investments	-	47,292,552	10,784,400	107,963,516	74,981,688	241,022,156
Trade receivables	399,725,353	-	-	-	359,163,195	758,888,548
Other assets	-	-	-	-	380,076,241	380,076,241
	2,017,401,021	1,980,809,086	10,784,400	107,963,516	1,204,375,764	5,321,333,787
Financial liabilities	1,728,245,448	1,823,288,887	1,805,768	654,390	-	3,553,994,493
Trade payables	-	-	-	-	695,514,276	695,514,276
Other payables	-	-	-	-	228,311,716	228,311,716
	1,728,245,448	1,823,288,887	1,805,768	654,390	923,825,992	4,477,820,485
	289,155,573	157,520,199	8,978,632	107,309,126	280,549,772	843,513,302
	31 December 2020					Total
	Up to 1 month	Up to 3 months	3 months to 1 year	1 year- to 5 years	Non-interest bearing	
Cash and cash equivalents	2,366,170,270	330,603,482	-	-	207,680,450	2,904,454,202
Financial investments	-	-	37,630,962	72,626,712	118,132,128	228,389,802
Trade receivables	229,944,612	-	-	-	628,109,505	858,054,117
Other assets	-	-	-	-	485,282,039	485,282,039
	2,596,114,882	330,603,482	37,630,962	72,626,712	1,439,204,122	4,476,180,160
Financial liabilities	2,560,333,768	299,009,131	2,504,913	1,022,795	-	2,862,870,607
Trade payables	-	-	-	-	689,176,547	689,176,547
Other payables	-	-	-	-	230,426,090	230,426,090
	2,560,333,768	299,009,131	2,504,913	1,022,795	919,602,637	3,782,473,244
	35,781,114	31,594,351	35,126,049	71,603,917	519,601,485	693,706,916

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

**CONVENIENCE TRANSLATION INTO ENGLISH OF
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021
ORIGINALLY ISSUED IN TURKISH**

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

31. FINANCIAL RISK MANAGEMENT (Continued)

c. Exchange rate risk

As of 30 June 2021 and 31 December 2020, the Group’s assets and liabilities denominated in foreign currencies are as follows:

	30 June 2021				31 December 2020			
	TRY equivalent	USD	EUR	Other	TRY equivalent	USD	EUR	Other
Cash and cash equivalents	3,803,652,774	373,139,565	52,901,252	1,034,944	2,363,564,797	77,207,759	199,831,707	118,895
Other receivables	51,417,451	1,158,555	3,987,843	-	41,660,728	766,859	4,000,000	-
Current assets (a)	3,855,070,225	374,298,120	56,889,095	1,034,944	2,405,225,525	77,974,618	203,831,707	118,895
Trade payables	(376,544,973)	(17,216,171)	(20,755,312)	(1,008,215)	(183,936,749)	(21,389,182)	(2,925,722)	(98,855)
Short-term financial liabilities (b)	(376,544,973)	(17,216,171)	(20,755,312)	(1,008,215)	(183,936,749)	(21,389,182)	(2,925,722)	(98,855)
Off-balance sheet derivatives denominated in foreign currency	(3,430,518,579)	(350,687,250)	(36,443,237)	-	(2,238,864,871)	(56,046,358)	(202,872,654)	-
Net asset/liability position of foreign currency denominated derivatives (c)	(3,430,518,579)	(350,687,250)	(36,443,237)	-	(2,238,864,871)	(56,046,358)	(202,872,654)	-
Total net foreign currency position (a+b+c)	48,006,673	6,394,699	(309,454)	26,729	(17,576,095)	539,078	(1,966,669)	20,040

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

31. FINANCIAL RISK MANAGEMENT (Continued)

Off-balance sheet liabilities in foreign currencies consist of letter of guarantees and derivative transactions (Note 17).

The following table shows the sensitivity of the Group for the change of a 20% change in USD, EUR and other currencies. These amounts represent the equity effect apart from net profit for the period and effect of net profit for the period of US Dollars, 20% increase of Euro and other foreign currencies against TRY. According to the analyses of the Group's sensitivity where, all other variables are kept as constant.

Exchange rate sensitivity analysis table

30 June 2021	Profit/(Loss)		Equity	
	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency
<i>In case of a 20% change in USD exchange rates:</i>				
USD net asset/liability effect	(11,133,427)	11,133,427	(11,133,427)	11,133,427
<i>In case of a 20% change in EUR exchange rates</i>				
EUR net asset/liability effect	641,467	(641,467)	641,467	(641,467)
<i>In case of a 20% change in other exchange rates:</i>				
Other foreign currency net effect	58,981	(58,981)	58,981	(58,981)
Total	(10,432,979)	10,432,979	(10,432,979)	10,432,979
31 December 2020	Profit/(Loss)		Equity	
	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency
<i>In case of a 20% change in USD exchange rates:</i>				
USD net asset/liability effect	(791,420)	791,420	(791,420)	791,420
<i>In case of a 20% change in EUR exchange rates</i>				
EUR net asset/liability effect	3,543,111	(3,543,111)	3,543,111	(3,543,111)
<i>In case of a 20% change in other exchange rates:</i>				
Other foreign currency net effect	36,044	(36,044)	36,044	(36,044)
Total	2,787,735	(2,787,735)	2,787,735	(2,787,735)

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

31. FINANCIAL RISK MANAGEMENT (Continued)

d. Share certificate price risk

The majority of the stocks classified in the Group’s balance sheet as financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income are traded on the BIST. According to the Group’s analysis, if the Group has a 10% increase/decrease in the prices of the shares in its portfolio, assuming that all other variables remain constant, effects occurring on the carrying value of the shares in the portfolio which are traded in BIST, on growth funds, on the net profit of the year and shareholders’ equity are presented below:

30 June 2021

Balance sheet item	Rate of change	Change direction	Effect on carrying value	Effect on revaluation fund	Effect on net income	Effect on equity
Share certificates						
Financial assets measured						
at fair value through profit or loss		Increase	3,774,484	-	3,774,484	3,774,484
- Financial assets	10%	Decrease	(3,774,484)	-	(3,774,484)	(3,774,484)

31 December 2020

Balance sheet item	Rate of change	Change direction	Effect on carrying value	Effect on revaluation fund	Effect on net income	Effect on equity
Share certificates						
Financial assets measured						
at fair value through profit or loss		Increase	1,025,745	-	1,025,745	1,025,745
- Financial assets	10%	Decrease	(1,025,745)	-	(1,025,745)	(1,025,745)

e. Liquidity risk

Liquidity risk is the possibility that the Group is unable to meet its net funding commitments and is defined as the risk of loss because of not being able to close positions at all or at an appropriate price because of barriers in the market. Liquidity risk stems from deterioration in markets or occurrence of events resulting in diminution of fund resources such as fall of credit ratings. The management of the Group controls liquidity risk by allocating fund resources and keeping a sufficient level of cash and cash equivalents to meet its existing and possible obligations.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

31. FINANCIAL RISK MANAGEMENT (Continued)

	30 June 2021				
	Net book value	Up to 1 month	1 month to 1 year	1 year to 5 years	Total of contractual cash outflows
Financial liabilities	3,553,994,493	1,810,974,817	1,869,347,155	654,390	3,683,742,549
Trade payables	695,514,276	695,514,276	-	-	695,514,276
Other payables	123,140,862	123,140,862	-	-	123,140,862
	4,372,649,631	2,629,629,955	1,869,347,155	654,390	4,502,397,687

	31 December 2020				
	Net book value	Up to 1 month	1 month to 1 year	1 year to 5 years	Total of contractual cash outflows
Financial liabilities	2,862,870,607	2,577,282,713	309,557,754	1,022,795	2,887,952,514
Trade payables	689,176,547	689,176,547	-	-	689,176,547
Other payables	131,554,157	131,554,157	-	-	131,554,157
	3,683,601,311	3,398,013,417	309,557,754	1,022,795	3,708,683,218

32. FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

i. Financial assets:

The fair values of financial assets carried at cost, including cash and cash equivalents and other financial assets, are considered to approximate their respective carrying values due to their short-term nature and their insignificant credit risk.

Market prices are used on the determination of the fair values of government bonds and common stocks.

Financial investments' costs, fair value and carrying values are disclosed in Note 7.

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

32. FINANCIAL INSTRUMENTS (Continued)

ii. *Financial liabilities:*

The fair values of monetary liabilities are considered to approximate their respective carrying values due to their short-term nature.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets and financial liabilities carried at fair value:

30 June 2021	Level 1	Level 2	Level 3
Financial assets measured at fair value			
through profit or loss	37,744,836	-	-
- <i>Share certificates trading on BIST</i>	37,744,836	-	-
Financial assets measured at fair value			
through other comprehensive income	-	290,400,736	-
- <i>Share certificates</i>	-	60,647,557	-
- <i>Corporate bonds and bills</i>	-	229,753,179	-
Financial receivables from derivatives held for trading	-	10,168,074	-
Financial liabilities from derivatives held for trading	-	33,103,086	-
31 December 2020	Level 1	Level 2	Level 3
Financial assets measured at fair value			
through profit or loss	10,257,451	-	-
- <i>Share certificates trading on BIST</i>	10,257,451	-	-
Financial assets measured at fair value			
through other comprehensive income	-	180,501,389	-
- <i>Share certificates</i>	-	60,647,555	-
- <i>Corporate bonds and bills</i>	-	119,853,834	-
Financial receivables from derivatives held for trading	-	132,958,946	-
Financial liabilities from derivatives held for trading	-	-	-

YAPI KREDİ YATIRIM MENKUL DEĞERLER A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

33. DISCLOSURE OF OTHER MATTERS

a. Explanation on portfolio management operations:

As of 30 June 2021, the Group managed 42 mutual funds and 20 pension funds (30 June 2020: 35 mutual funds and 26 pension funds). In accordance with the Funds' statute, the Group purchases and sells securities and share certificates for the Funds, markets their participation certificates and provides other services and charges daily management fees. As of 30 June 2021, the Group earned a management fee of TRY90,770,831 (30 June 2020: TRY62,994,182).

b. Capital management and capital adequacy requirements

The Group aims to increase its profit by using liability and equity balance in the most efficient way. The Group's funding structure is mainly composed of equity items.

The Group defines and manages its capital in accordance with CMB's Communiqué Series: V No: 34 on capital and capital adequacy of intermediary institutions. According to the related communiqué, the equity of intermediary institutions is composed of the portion of total assets, which are valued according to the valuation principles discussed in Communiqué Serie: V No: 34 and are present in the balance sheet prepared as of the valuation date. According to the communiqué which is published on 11 July 2013 and named as Communiqué Series: V No: 34, capital adequacy base of intermediary institutions cannot be lower than any of the following; TRY2,000,000 for narrow authority intermediaries, TRY10,000,000 for partial authorized intermediaries and 25.000,000 for broad authority intermediaries. The Company has broad authority intermediation license dated 15 January 2016 and numbered G-028 (286). Accordingly, the total equity required by the company as of 30 June 2021, including the annual revaluation, was calculated to be TRY29,216,340 (31 December 2020: TRY28,693,544).

34. SUBSEQUENT EVENTS

None.

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