

**HALK GAYRİMENKUL YATIRIM
ORTAKLIĐI A.Ő.**

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE
PERIOD ENDED 30 JUNE 2017
AND INDEPENDENT AUDITOR'S
REVIEW REPORT

(Convenience translation of the report and the
consolidated financial statements originally
issued in Turkish)

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

**REPORT ON REVIEW OF INTERIM
FINANCIAL INFORMATION**

**To the Board of Directors of
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.**

Introduction

We have reviewed the accompanying statement of financial position of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (the “Company”) and its joint operations (together the “Group”) as of 30 June 2017 and the related statements of profit or loss and 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. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with Turkish Accounting Standards. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

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

Other Matter

The audit of the Group’s financial statements for the year ended 31 December 2016 and the review of interim period ended 30 June 2016 were performed by another audit firm. The previous audit firm has expressed an unmodified opinion on the financial statements as of and for the year ended 31 December 2016 and unmodified review conclusion as of and for the period ended 30 June 2016 signed on 13 February 2017 and 4 August 2016, respectively.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. and its joint operations as of 30 June 2017, and of their financial performance and their cash flows for the six-month period then ended in accordance with Turkish Accounting Standards.

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

Hasan Kılıç SMMM
Partner

İstanbul, 3 August 2017

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HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**REVIEWED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017**

(Amounts expressed in Turkish Lira (TL))

		Reviewed	Audited
		30 June	31 December
	Notes	2017	2016
ASSETS			
Current Assets		292,216,614	233,670,563
Cash and Cash Equivalents	26	39,706,101	51,301,426
Trade Receivables	5	43,558,693	16,867,810
<i>Other trade receivables</i>		43,558,693	16,867,810
Inventory	6	197,265,174	152,820,902
Prepaid Expenses	7	476,687	386,883
<i>To Related Parties</i>		468,437	220,227
<i>Other prepaid expenses</i>		8,250	166,656
Current Tax Assets		544,798	919,613
Other Current Assets	14	10,665,161	11,373,929
<i>Other</i>		10,665,161	11,373,929
Non-Current Assets		1,623,240,725	1,605,916,723
Trade Receivables	5	3,608,440	20,021,770
<i>Other trade receivables</i>		3,608,440	20,021,770
Investment Property	8	1,537,948,763	1,505,807,691
Property, Plant and Equipment	9	292,558	421,443
Intangible Assets	10	215,656	316,274
<i>Other intangible assets</i>		215,656	316,274
Prepaid Expenses	7	49,174,176	56,127,988
<i>Other prepaid expenses</i>		49,174,176	56,127,988
Other Non-Current Assets	14	32,001,132	23,221,557
<i>To Related Parties</i>		32,001,132	23,221,557
TOTAL ASSETS		<u>1,915,457,339</u>	<u>1,839,587,286</u>

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**REVIEWED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017**

(Amounts expressed in Turkish Lira (TL))

LIABILITIES	Notes	Reviewed 30 June 2017	Audited 31 December 2016
Current Liabilities		255,156,679	200,036,884
Current Portion of Long Term Borrowings	22	3,396,347	3,397,355
<i>From Related Parties</i>		3,396,347	3,397,355
Trade Payables	5	12,237,272	534,202
<i>From Related Parties</i>		270,360	63,264
<i>Other trade payables</i>		11,966,912	470,938
Deferred Revenue	7	233,354,032	190,060,630
<i>Other deferred revenue</i>		233,354,032	190,060,630
Provisions		667,763	868,915
<i>Short Term Portion of employee benefits</i>	12	600,003	801,155
<i>Other provisions</i>	11	67,760	67,760
Other Current Liabilities		5,501,265	5,175,782
<i>Other</i>		5,501,265	5,175,782
Non-Current Liabilities		8,306,899	9,354,658
Financial Borrowings	22	7,963,340	9,152,608
<i>From Related Parties</i>		7,963,340	9,152,608
Provisions	12	343,559	202,050
<i>Long Term Portion of employee benefits</i>		343,559	202,050
EQUITY		1,651,993,761	1,630,195,744
Share Capital	15	790,000,000	790,000,000
Treasury Shares	15	(22,271,814)	(22,271,814)
Share premium	15	49,945,096	49,945,096
Other comprehensive income that will not be reclassified to profit or loss		649	649
- <i>Deferred benefit plan actuarial gains</i>		649	649
Restricted Reserves	15	37,486,655	37,486,655
Retained Earnings		772,119,746	667,368,102
Net Profit For The Period		24,713,429	107,667,056
TOTAL LIABILITIES AND EQUITY		1,915,457,339	1,839,587,286

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**REVIEWED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD 1 JANUARY – 30 JUNE 2017**

(Amounts expressed in Turkish Lira (TL))

	Notes	Reviewed 1 January- 30 June 2017	Reviewed 1 April- 30 June 2017	Reviewed 1 January- 30 June 2016	Reviewed 1 April- 30 June 2016
Revenue	16	43,522,122	22,123,704	40,207,739	20,933,850
Cost of Sales	16	(8,636,983)	(4,705,979)	(7,436,656)	(4,942,892)
GROSS PROFIT		34,885,139	17,417,725	32,771,083	15,990,958
General administrative expenses (-)	17	(5,884,972)	(2,733,371)	(4,741,108)	(2,499,943)
Marketing and selling expenses (-)	17	(1,657,363)	(478,570)	(3,370,141)	(1,800,581)
Other operating income from main activities	18	1,299,998	319,505	73,978	57,289
Other operating loss from main activities (-)	18	(3,304,523)	(513,120)	(76,445)	(36,579)
OPERATING PROFIT		25,338,279	14,012,169	24,657,367	11,711,144
Finance costs (-)	19	(624,850)	(309,497)	(748,845)	(371,530)
PROFIT BEFORE TAX		24,713,429	13,702,672	23,908,522	11,339,614
Tax benefit / (charge)		-	-	-	-
NET PROFIT FOR THE PERIOD		24,713,429	13,702,672	23,908,522	11,339,614
Earnings per share		0.0313	0.0173	0.0303	0.0144
OTHER COMPREHENSIVE INCOME					
Other comprehensive income that will not be reclassified to profit or loss		-	-	-	-
Deferred Benefit Plan Actuarial Gains		-	-	-	-
OTHER CONPREHNSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE INCOME		24,713,429	13,702,672	23,908,522	11,339,614

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

	Notes	Share Capital	Treasury Shares	Share Premium	Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	Accumulated Profits		Equity	
					Deferred benefit plan actuarial gains	Restricted Reserves	Retained Earnings		Net Profit For The Period
Balance at 1 January 2016		743,000,000	(20,946,784)	49,945,096	3,446	32,833,600	17,189,603	57,423,905	879,448,866
Transfers		-	-	-	-	4,653,055	52,770,850	(57,423,905)	-
Total Comprehensive Income		-	-	-	-	-	-	23,908,522	23,908,522
Capital Increase		47,000,000	(1,325,030)	-	-	-	(45,674,970)	-	-
Dividends		-	-	-	-	-	(5,423,899)	-	(5,423,899)
Balance at 30 June 2016		790,000,000	(22,271,814)	49,945,096	3,446	37,486,655	18,861,584	23,908,522	897,933,489
Balance at 1 January 2017		790,000,000	(22,271,814)	49,945,096	649	37,486,655	667,368,102	107,667,056	1,630,195,744
Transfers		-	-	-	-	-	107,667,056	(107,667,056)	-
Total Comprehensive Income		-	-	-	-	-	-	24,713,429	24,713,429
Dividends		-	-	-	-	-	(2,915,412)	-	(2,915,412)
Balance at 30 June 2017		790,000,000	(22,271,814)	49,945,096	649	37,486,655	772,119,746	24,713,429	1,651,993,761

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**REVIEWED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY – 30 JUNE 2017**

(Amounts expressed in Turkish Lira (TL))

	Reviewed	Reviewed
	1 January- 30 June	1 January- 30 June
	2017	2016
Cash flows from operating activities	Notes	
A. Cash flows from operating activities		
Profit/loss for the year	24,713,429	23,908,522
Adjustments to reconcile profit/loss for the year		
- Adjustments related to depreciation and amortization expenses	9-10 251,243	205,329
- Adjustments related to provisions	11-12 (59,643)	(90,016)
- Adjustments related to interest income and expenses	18-19 (3,185,662)	(2,256,015)
Changes in working capital		
- Adjustments related to increase/decrease in inventories	(44,444,272)	(24,739,759)
- Adjustments related to increase/decrease in trade receivables	(10,277,553)	(17,872,777)
- Adjustments related to increase/decrease in prepaid expenses	6,864,008	(8,833,320)
- Adjustments related to increase/decrease in other assets	(7,695,992)	(1,611,382)
- Adjustments related to increase/decrease in trade payables	11,703,070	100,295
- Adjustments related to increase/decrease in deferred revenue	43,293,402	81,804,512
- Adjustments related to increase/decrease in other liabilities	325,483	817,292
Cash generated from operations	21,487,513	51,432,681
Interest received	3,810,512	2,875,866
	25,298,025	54,308,547
B. Cash flows from investing activities		
Cash outflows for acquisition of shares in other entities or shares in funds or debt instruments	-	(4,909,200)
Payments for purchase of property, plant and equipment and intangible assets	9-10 (21,740)	(16,989)
Payments for investment properties	8 (32,141,072)	(3,742,793)
	(32,162,812)	(8,668,982)
C. Cash flows from financing activities		
Cash used for repayment of borrowings	(1,522,053)	(1,129,520)
Dividends paid	(2,915,412)	(5,423,899)
Interest paid	(624,850)	(693,982)
	(5,062,315)	(7,247,401)
Net increase/(decrease) in cash and cash equivalents (A+B+C)	(11,927,102)	38,392,164
D. Cash and cash equivalents at the beginning of the period	51,301,426	16,393,667
Cash and cash equivalents at the end of the period (A+B+C+D)	39,374,324	54,785,831

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

1. ORGANIZATION AND OPERATIONS OF THE GROUP

The main activity of Halk Gayrimenkul Yatırım Ortaklığı AŞ (the “Company”) is to invest in properties, property projects, rights on properties, property related capital market instruments and other rights and assets as deem appropriate by the Capital Markets Board of Turkey (“CMB”). The Company and its joint operations are referred as the Group in this report (please also refer to Note 2.3 and Note 3). In accordance with the relevant articles of the CMB’s Communiqué on the Principles of Real Estate Investment Trusts, the main objective of the Company is to invest in properties, property projects, property rights and capital market instruments.

The operations of the Group, its portfolio management policies and limitations are consistent with the regulatory requirements of the CMB. Investment property portfolio of the Group consists of lands and rental properties which are used as bank branches and bank headquarter. The Company obtained its licence to operate by the CMB’s approval dated 24 September 2010 and numbered 9546, and registered with the CMB. The registered capital ceiling of the Company is TL 1,500,000,000. The paid in capital of the Company is TL 790,000,000 of which TL 196,217,979 was paid in cash whereas TL 513,282,021 was paid in kind and TL 80,500,000 was incorporated from reserves internally appropriated.

The headquarter of the Company is registered in Şerifali Çiftliği Tatlısu Mah. Ertuğrulgazi Sok. No:1 34774 Yukarı Dudullu Ümraniye/İstanbul.

As at 30 June 2017, the number of personnel employed in the Company is 42 (31 December 2016: 40).

The Company is a subsidiary of Türkiye Halk Bankası AŞ (“Halkbank”) and was registered on 18 October 2010. With the amendment dated 31 December 2009 made by the CMB the Communiqué on the Principles of Real Estate Investment Trusts, it is obligatory that the shares of trusts representing a minimum 25% of their capital be issued within three months of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, are offered to public and that they apply to the CMB with the request that all shares to be registered.

The Company has applied to the CMB on 29 August 2012 to increase the issued capital from TL 477,000,000 to TL 662,500,000 within TL 1,500,000,000 registered capital ceiling, by initial public offering of the increase of TL 185,500,000 B group bearer shares. The application was approved in accordance with the decision promulgated by the CMB’s decision numbered 4/97 on 8 February 2013. During 13-15 February 2013, TL 185,500,000 B group shares offered to public by restricting the preemptive rights of the existing shareholders. After the collection of the investors demand, the Company’s shares started to be traded on Bourse İstanbul with HLGYO title as of 22 February 2013.

As at 11 June 2015, the Company increased its share capital to TL 743,000,000 by transferring TL 45,100,000 from retained earnings to the share capital.

As at 4 September 2014, the Company has signed a Joint Operation Agreement with Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. for developing a real estate project.

As at 14 April 2016, the Company has signed Joint Operation Agreement with Er Konut İnş. Taah. İnş. Malz. Nak. ve Mad. Tic. ve San. A.Ş. for developing a real estate project.

As at 25 May 2016, the Company increased its share capital to TL 790,000,000 by transferring TL 47,000,000 from retained earnings to the share capital.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

The details of the Company's joint operations are below:

Joint operations

	<u>Type of Activity</u>	<u>Main Activity Fields</u>
Halk GYO-Vakıf GYO Adi Ortaklığı	Construction	Real Estate Construction
Halk GYO-Erkonut Adi Ortaklığı	Construction	Real Estate Construction

Dividend payable:

The Company has distributed dividend of TL 2.915.412 on 21 June, 2017, in consideration of the decision taken at the 2016 Ordinary General Assembly held on 15 June 2017.

Approval of financial statements:

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 3 August 2017. General Assembly has the authority to modify the financial statements.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance in TAS

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

The financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013 about the "illustrations of financial statements and application guidance".

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Currency Used

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

Preparation of Financial Statements in Hyperinflationary Economies

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 “Financial reporting in Hyperinflationary Economies” (“TAS 29”) was not applied.

Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed if necessary. The nature, reason and the amounts of reclassification are described below:

- As of 31 December 2016, the Group has net off the amounting TL 15,252,689 “Receivables from non-related parties”, which is subject to Land Sale of Revenue Sharing Agreement, with the same amount in “Deferred income to non-related parties” in its financial statements.
- The lawsuit provision amounting TL 67,760, which was previously disclosed in “Other short term liabilities” are reclassified to “Other short term provisions” in the current period.
- The advance payments on residential sales amounting TL 183,793,138, which was previously disclosed in “Long term deferred revenue” are reclassified to “Short term deferred revenue” in the current period.

These reclassifications do not have any effect on the consolidated statement of profit or loss.

Interests in joint operations:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the TAS applicable to the particular assets, liabilities, revenues and expenses.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.2 Changes in Accounting Policies

Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated. In the current period, the Group has not made any change in its accounting policies.

2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current period but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current period, there are not any material errors and changes in accounting estimates.

2.4 New and Revised Turkish Accounting Standards

a) Amendments to TAS affecting amounts reported and/or disclosures in the consolidated financial statements

None.

b) New and revised TAS applied with no material effect on the consolidated financial statements

None.

c) New and revised TAS in issue but not yet effective

The Group has not applied the following new and revised TAS that have been issued but are not yet effective:

TFRS 9

*Financial Instruments*¹

TFRS 15

*Revenue from Contracts with Customers*¹

¹ Effective for annual periods beginning on or after 1 January 2018.

TFRS 9 *Financial Instruments*

TFRS 9, issued by Public Oversight Authority (“POA”) in 2010, introduces new requirements for the classification and measurement of financial assets. TFRS 9 is amended in 2011 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Revised version of IFRS 9 is issued by POA in January 2017 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income (“FVTOCI”) measurement category for certain simple debt instruments.

TFRS 9 is effective for the annual periods beginning on or after 1 January 2018. Early adoption is permitted.

TFRS 15 *Revenue from Contracts with Customers*

TFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

TFRS 15 also clarifies three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provides some transition relief for modified contracts and completed contracts.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies

Related Parties

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

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

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

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

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

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

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Net sales is reduced for estimated and realized customer returns, rebates, commissions and taxes related with sales.

Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

Rendering of services:

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;
- Servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- Revenue from time and material contracts is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

Revenue from construction contracts is recognized in accordance with the accounting policy outlined below.

Dividend and interest income:

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rent income:

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

Sale of lands

Revenue is recognised when all significant risks and rewards regarding the lands are transferred to the buyer and the amount of revenue can be measured reliably.

Sales of land by way of "Land Sale of Revenue Sharing Agreement" ("LSRSA")

The Company recognizes revenue from the sale of land by "Land Sale of Revenue Sharing Agreement" (LSRSA) when transfer of legal ownership of land is transferred to the buyer. When the legal ownership is not transferred, the Company books its share of revenue as deferred income. The Company's share in Total Sales Revenue ("TSR") is recorded as revenue from sale of land and related cost is recognised as cost of land sold in the statement of profit or loss.

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(Amounts expressed in Turkish Lira (TL))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leases - the Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Intangible Assets

Intangible assets acquired separately

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

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REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible Assets (cont'd)

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5-10 years).

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding 3 years).

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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(Amounts expressed in Turkish Lira (TL))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Impairment of Tangible and Intangible Assets Other Than Goodwill (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time 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.

When the Group borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

General borrowings of the Group are capitalized to the applicable qualifying assets based on a capitalization rate. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. 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 recognized in the statement of profit or loss in the period in which they are incurred.

Financial Instruments

Financial assets

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. A regular way purchase or sale of financial assets shall be recognised using trade date accounting or settlement date accounting. When a financial asset is recognised initially, the Group measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. These financial assets are stated at fair value and any gain or losses are recognised in profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, and others) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The Group's cash and cash equivalents are classified under the category of 'Loans and Receivables'.

Recognition and derecognition of financial assets

The Group recognises a financial asset or a financial liability in its statement of financial position when, and only, the entity becomes a party to the contractual provisions of the instrument. The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. An entity shall remove a financial liability from its statement of financial position when, and only, the obligation specified in the contract is discharged or cancelled or expires.

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(Amounts expressed in Turkish Lira (TL))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial liabilities

When a financial liability is recognised initially, the Group measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. After initial recognition, the Group measures all financial liabilities at amortised cost using the effective interest method,

Effect of Exchange Differences:

Foreign Currency Balances and Transactions:

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

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

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

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

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(Amounts expressed in Turkish Lira (TL))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Earnings Per Share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Events After the Reporting Period

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

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

Provisions, Contingent Assets and Liabilities

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

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

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

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property that is measured at fair value to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property that is measured at fair value, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Income Taxes

According to Article 5/1(d) (4) of the New Corporate Tax Law No: 5220, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

According to the Corporate Tax Law Article 15/(3), the income of REITs is subject to 15% withholding tax irrespective of its distribution. The Council of Ministers has the authority to increase the withholding tax rate on REIT income to corporate income tax rate or reduce it to 0% or change it within the limits defined through publication of a Decree based on the Corporate Tax Law Article 15/(4). In accordance with New Corporate Tax Law Article 15/(2), income subject to corporate tax is also exempt from withholding tax.

According to the temporary Article (1) of the Corporate Tax Law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 are valid up to new Decrees published by the Council of Ministers. Determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

Based on the resolution of the Council of Ministers related to the withholding tax rates which were determined as 15% according to the Corporate Tax Law Article 15/(3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. Thereof, in accordance with the Article 5/1(d) (4) of the Corporate Tax Law, real estate investment trusts earnings, regardless of the fact they are distributed or not, will be subject to 0% withholding.

Deferred tax

Since the Group is exempt from Corporate Income Tax in Turkey in accordance with the Article 5 of the Corporate Tax Law, deferred tax is not recognised.

Employee Benefits

Termination and retirement benefits:

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

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

Profit-sharing and bonus plans

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

Statement of Cash Flows

In the statement of cash flows, cash flows are classified according to operating, investing and financing activities.

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(Amounts expressed in Turkish Lira (TL))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the entity's accounting policies

In the process of applying the entity's accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with below):

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of its property, plant and equipment at the end of each reporting period. The Group takes into consideration the intended use of the property, plant and equipment, the advancement in technology related to the particular type of property, plant and equipment as well as other factors that may require management to extend or shorten the useful lives and the assets' related depreciation.

Determination of fair values of investment properties and investment properties under development

The fair values of investment properties are based on valuations, performed by independent valuers using certain estimates and assumptions, who hold recognized and relevant professional qualifications licensed by the CMB and who have recent experience in the location and category of the investment properties being valued. In these estimates and assumptions, any future changes may cause significant impact on the Group's consolidated financial statements.

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(Amounts expressed in Turkish Lira (TL))

3. INTERESTS IN OTHER ENTITIES

Joint Operations

Shareholding of the Group in the joint operation is as follows:

	30 June 2017	31 December 2016
Halk GYO-Vakıf GYO Adi Ortaklığı	50%	50%
Halk GYO-Erkonut Adi Ortaklığı	50%	50%

Halk GYO-Vakıf GYO Adi Ortaklığı

Halk GYO-Vakıf GYO Adi Ortaklığı has founded in Turkey for operating as a joint operation with 50% shares and 50% voting rights. The Group owns 50% of the Bizimtepe Aydos Project in İstanbul. The residences in the project will be offered for sale. The financial information of Halk GYO-Vakıf GYO is summarized in the following tables. The financial information of Halk GYO-Vakıf GYO as per the shareholding and voting rights is as follows:

	30 June 2017	31 December 2016
Halk GYO-Vakıf GYO Adi Ortaklığı		
Non-current assets	197,141,435	56,212,076
Current assets	9,317,751	113,175,403
Current liabilities	(1,618,050)	(2,745,975)
Non-current liabilities	(170,405,844)	(171,312,519)

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Income	-	-	-	-
Expenses	1,474,630	392,252	(3,287,448)	-

Halk GYO-Erkonut Adi Ortaklığı

Halk GYO-Erkonut Adi Ortaklığı has founded in Turkey for operating as a joint operation with 50% shares and 50% voting rights. The Group owns 50% of the Şehristan Project in Erzurum. The residences in the project will be offered for sale. The financial information of Halk GYO-Erkonut is summarized in the following tables. The financial information of Halk GYO-Erkonut as per the %50 shareholding and %50 voting rights is as follows:

	30 June 2017	31 December 2016
Halk GYO-Erkonut Adi Ortaklığı		
Non-current assets	68,851,056	13,626,495
Current assets	38,775,070	46,046,528
Current liabilities	(1,658,399)	(871,588)
Non-current liabilities	(72,761,645)	(58,902,340)

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(Amounts expressed in Turkish Lira (TL))

3. INTERESTS IN OTHER ENTITIES (cont'd)

Joint Operations (cont'd)

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Income	-	-	-	-
Expenses	11,818	6,368	(5,006)	-

4. RELATED PARTY DISCLOSURES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Details of transactions between the Group and other related parties are disclosed below.

	30 June 2017	31 December 2016
<u>Deposits at Halk Bank</u>	<u> </u>	<u> </u>
Demand deposits	524,527	812,955
Time deposits	<u>39,006,318</u>	<u>49,757,297</u>
	<u>39,530,845</u>	<u>50,570,252</u>
Loans received from Halk Bank	<u>11,359,687</u>	<u>12,549,963</u>

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4. RELATED PARTY DISCLOSURES (cont'd)

	30 June 2017								
	Receivables				Payables				
	Short Term		Long Term		Short Term		Long Term		
	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade	
Balances with related parties									
<u>Shareholders</u>									
Halkbank A.Ş.	-	-	-	-	-	-	-	-	-
<u>Related parties controlled by main shareholder</u>									
Halk Yatırım Menkul Değ.A.Ş.	-	-	-	-	3,037	-	-	-	-
Halk Portföy Yönetimi A.Ş.	-	-	-	-	3,042	-	-	-	-
Halk Sigorta A.Ş.	-	-	-	-	264,281	-	-	-	-
	-	-	-	-	270,360	-	-	-	-

	31 December 2016								
	Receivables				Payables				
	Short Term		Long Term		Short Term		Long Term		
	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade	
Balances with related parties									
<u>Shareholders</u>									
Halkbank A.Ş.	-	-	-	-	16,491	-	-	-	-
<u>Related parties controlled by main shareholder</u>									
Halk Sigorta A.Ş.	-	-	-	-	46,773	-	-	-	-
	-	-	-	-	63,264	-	-	-	-

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4. RELATED PARTY DISCLOSURES (cont'd)

Transactions with related parties	1 January - 30 June 2017			
	Interest income	Interest expenses	Rent income	Other expenses
<u>Shareholders</u>				
Halkbank A.Ş.	3,625,677	595,165	19,134,682	5,644
<u>Related parties controlled by main shareholder</u>				
Halk Hayat ve Emeklilik A.Ş.	-	-	47,996	11,183
Halk Sigorta A.Ş.	-	-	-	422,479
	<u>3,625,677</u>	<u>595,165</u>	<u>19,182,678</u>	<u>439,306</u>
Transactions with related parties	1 April- 30 June 2017			
	Interest income	Interest expenses	Rent income	Other expenses
<u>Shareholders</u>				
Halkbank A.Ş.	2,153,128	279,812	9,223,811	3,117
<u>Related parties controlled by main shareholder</u>				
Halk Hayat ve Emeklilik A.Ş.	-	-	23,998	7,517
Halk Sigorta A.Ş.	-	-	-	213,946
	<u>2,153,128</u>	<u>279,812</u>	<u>9,247,809</u>	<u>224,580</u>

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REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

4. RELATED PARTY DISCLOSURES (cont'd)

Transactions with related parties	1 January - 30 June 2016			
	Interest income	Interest expense	Rent income	Other expense
<u>Shareholders</u>				
Halkbank A.Ş.	2,918,520	715,366	18,487,866	4,149
<u>Related parties controlled by shareholders</u>				
Halk Hayat ve Emeklilik A.Ş.	-	-	45,711	1,924
Halk Sigorta A.Ş.	-	-	45,711	169,425
	<u>2,918,520</u>	<u>715,366</u>	<u>18,579,288</u>	<u>175,498</u>
Transactions with related parties	1 April- 30 June 2016			
	Interest income	Interest expense	Rent income	Other expense
<u>Shareholders</u>				
Halkbank A.Ş.	2,069,520	338,051	8,750,143	3,872
<u>Related parties controlled by shareholders</u>				
Halk Hayat ve Emeklilik A.Ş.	-	-	22,856	-
Halk Sigorta A.Ş.	-	-	22,856	79,359
	<u>2,069,520</u>	<u>338,051</u>	<u>8,795,855</u>	<u>83,231</u>

Compensation of key management personnel:

Key management personnel comprises, members of board of directors and members of execution committee, general manager and deputy general manager. Compensation of key management personnel comprises professional fees and other benefits such as; salaries, premium, healthcare insurance and transportation. The remuneration of directors and other members of key management during the year were as follows:

Salaries and other short term benefits	1 January- 30 June 2017	1 January- 30 June 2016
	<u>600,623</u>	<u>353,535</u>
	<u>600,623</u>	<u>353,535</u>

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(Amounts expressed in Turkish Lira (TL))

5. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

The details of the Group's trade receivables as of balance sheet date are as follows:

	30 June 2017	31 December 2016
<u>Current trade receivables</u>		
Trade receivables	36,932,548	13,921,728
Other trade receivables	6,626,145	2,946,082
	<u>43,558,693</u>	<u>16,867,810</u>

The Group's short term trade receivables comprise sale of residences and rental income at Bizimtepe Aydos Project, Eskişehir Panorama Plus Project and Erzurum Şehristan Project respectively amounting to TL 33,086,517 , TL, 2,005,740 and TL 1,804,291, respectively, and other receivables amounting to TL 6,626,145 (31 December 2016: Bakırköy Project TL 2,022,256, Panorama Plus Eskişehir TL 10,902,192, Bizimtepe Aydos Project TL 996,980, and other receivables TL 2,946,082).

As at 30 June 2017, trade receivables of TL TL 5,649,244 were past due but not impaired (31 December 2016: TL 2,929,855). It was assessed that a portion of the receivables is expected to be recovered.

	30 June 2017	31 December 2016
<u>Non-current trade receivables</u>		
Trade receivables	3,608,440	20,021,770
	<u>3,608,440</u>	<u>20,021,770</u>

The Group's long-term trade receivables comprise sale of residences at Eskişehir Panorama Plus Project amounting to TL 3,608,440 (31 December 2016: Bakırköy Project TL 6,060,202 and Bizimtepe Aydos Project TL 13,809,471 and TL 152,097).

Explanations about the nature and level of risks related to trade receivables are provided in Note 23.

b) Trade Payables:

The details of the Group's trade payables as of balance sheet date are as follows:

	30 June 2017	31 December 2016
<u>Short term trade payables</u>		
Trade payables	11,966,912	470,938
Trade payables to related parties (Note 4)	270,360	63,264
	<u>12,237,272</u>	<u>534,202</u>

Explanations about the nature and level of risks related to trade payables are provided in Note 23.

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(Amounts expressed in Turkish Lira (TL))

6. INVENTORIES

	31 December 2016			30 June 2017
Land stocks	Cost	Addition	Disposal	Cost
Istanbul Bakırköy Land - Referans Bakırköy Konut Project ⁽¹⁾	6,146,720	-	(2,141,209)	4,005,511
Eskişehir- Odunpazarı Land - Panorama Plus Konut Project ⁽²⁾	14,106,470	-	(2,849,359)	11,257,111
Sancaktepe - Konut Project ⁽³⁾	101,399,353	37,923,188	-	139,322,541
Erzurum - Şehristan Project ⁽⁴⁾	31,168,359	11,511,652	-	42,680,011
Total	152,820,902	49,434,840	(4,990,568)	197,265,174

	31 December 2015			30 June 2016
Land stocks	Cost	Addition	Disposal	Cost
Istanbul Bakırköy Land - Referans Bakırköy Konut Project ⁽¹⁾	10,061,154	-	(19,749,999)	(9,688,845)
Eskişehir- Odunpazarı Land - Panorama Plus Konut Project ⁽²⁾	22,591,755	-	(4,728,676)	17,863,079
Sancaktepe - Konut Project ⁽³⁾	65,311,991	13,433,948	-	78,745,939
Erzurum - Şehristan Project ⁽⁴⁾	-	18,009,486	-	18,009,486
Total	97,964,900	31,443,434	(24,478,675)	104,929,659

⁽¹⁾ The Group has arranged a bid to develop a project on Bakırköy Land as Land Sale of Revenue Sharing Agreement (LSRSA) and as a consequence signed a contract with a firm on 17 February 2012. The Group registered for each plot that the project takes place for construction servitude on 24 February 2014. During 2017, 27 independent unit was sold amounting to TL 10,198,725 and cost of sales relating to these sales amounting to TL 4,290,126 (30 June 2016: 23 independent unit sold amounting to TL 7,027,942 and cost of sales relating to these sales amounting to TL 1,974,999).

The Group has received an advance payment from subcontractor due to agreement ongoing project related with LSRSA amounting to TL 18,100,000 and TL 100,000 respectively on 17 February 2012 and 1 March 2013. The Group's projected land cost is TL 31,765,625.

Referans Bakırköy Project plans which first construction permission was obtained as at 31 May 2012 and still under construction have been modified to provide 254 residential and 73 commercial units, as opposed to prior 256 residential and 70 commercial units and the modification permission of the revised project was approved by relevant authorities as at 19 September 2013. As at 30 June 2017, the deed transfer process of 272 independent units has been completed.

⁽²⁾ Eskişehir Odunpazarı Land is registered to Odunpazarı/Eskişehir neighbourhood with 1452 block 89 plot and 90 plot. It has place 13,073 m2. Eskişehir Odunpazarı Land is registered to 110 plot with change at the partition plan at 22 March 2013. The Group has acquired the plot belongs to Eskişehir Municipality within new 110 plot cost value of TL 668,000 at 22 March 2013 and registered previously named 89 plot and 90 plot as 110 plot. Due to new partition plan investment property is entrusted from 13,073 m2 registered as 9,811 m2. After entrusting, description of the plot has changed to land from factory building. The deeds of floor easement of 97 residential and 5 commercial units were taken as of 30 December 2014. During 2017, 8 independent units were sold amounting to TL 3,651,852 and cost of sales relating to these sales is amounting to TL 2,913,212 (As at 31 Jun 2016, 13 independent units were sold amounting to TL 5,799,000 and cost of sales relating to these sales amounting to TL 4,878,016).

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6. INVENTORIES (cont'd)

⁽³⁾ As at 16 October 2014, land in Sancaktepe/Istanbul was purchased amounting to TL 110,000,000 by Halk GYO-Vakıf GYO Adı Ortaklığı for real estate project. The main contractor services agreement was signed at 22 October 2015 and the construction permit was granted on 6 November 2015. There is no restriction on the land stock.

⁽⁴⁾ As at 1 April 2016, land in Yakutiye /Erzurum was purchased amounting to TL 17,500,000 by Halk GYO-Erkonut Adı Ortaklığı for real estate project. The main contractor services agreement was signed at 31 May 2016 and the construction permit was granted on 10 May 2016. There is no restriction on the inventories.

7. PREPAID EXPENSES AND DEFERRED INCOME

	30 June 2017	31 December 2016
<u>Short term prepaid expenses</u>		
Prepaid insurance expenses	468,437	220,227
Other	8,250	166,656
	<u>476,687</u>	<u>386,883</u>
	30 June 2017	31 December 2016
<u>Long term prepaid expenses</u>		
Investment advances (*)	48,974,854	56,125,984
Other	199,322	2,004
	<u>49,174,176</u>	<u>56,127,988</u>

(*) As at 30 June 2017, the advances given comprise those given to the main contractor and the project management contractors, IFC Project amounting to TL 33,091,662 (31 December 2016: TL 37,879,038), Sancaktepe Project amounting to TL 9,367,751 (31 December 2016: 9,529,353), Erzurum Şehristan Project amounting to TL 5,607,170 and other advances amounting to TL 908,271 (31 December 2016: 7,873,322 and TL 844,271).

	30 June 2017	31 December 2016
<u>Short term deferred revenue</u>		
Deferred residential sale income ⁽¹⁾	233,354,032	190,060,630
	<u>233,354,032</u>	<u>190,060,630</u>

⁽¹⁾ Deferred residential sales income consist of TL 12,015,002 (31 December 2016: TL 4,416,335) generated from the sales of residences from LSRSA project realized on an estate located in Bakırköy and TL 1,497,637 (31 December 2016: TL 1,851,157) generated from the sales of residence project realized from Eskişehir-Odunpazarı Project. As per the Group's LSRSA agreement, 50.5% share of the revenue from sales is collected by the Group. Referans Bakırköy Project consists of 254 residential and 73 commercial units. As of 30 June 2017, 321 units have been sold for TL 213.1 Million and transfer of title deeds has been completed for 272 residential units with the value of TL 187.2 Million (31 December 2016: .291 units have been sold for TL 200.6 Million and transfer of title deeds has been completed for 262 residential units with the value of TL 178.6 Million

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REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

7. PREPAID EXPENSES AND DEFERRED INCOME (cont'd)

Deferred income consist of TL 175,146,743, TL 39,694,650 and TL 5,000,000 (31 December 2016: TL 157,172,304, TL 26,620,834) generated from the sales of residences from Bizimtepe Aydos Project, Erzurum Şehristan Project and Eskişehir Panorama Plus Project, respectively. The Group has signed preliminary sales contracts for 725 units for total units of 1,037 for Bizimtepe Aydos Project and 274 units for Erzurum Şehristan Project.

8. INVESTMENT PROPERTIES

Fair value measurement of the Group's investment properties

The fair value of the Group's investment properties as at 30 June 2017 and 31 December 2016 have been arrived at on the basis of a valuation carried out on the respective dates by A Artıbir Gayrimenkul Değerleme A.Ş., independent valuers not related to the Group. A Artıbir Gayrimenkul Değerleme A.Ş., which is authorized by Capital Markets Board with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the lands were determined based on the market comparable approach.

There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2017 and 31 December 2016 are as follows:

	30 June 2017	Fair value as at 30 June 2017		
		Level 1	Level 2	Level 3
		TL	TL	TL
Buildings	861,717,251	-	861,717,251	-
Investment properties under development	676,231,512	-	676,231,512	-
	<u>1,537,948,763</u>	<u>-</u>	<u>1,537,948,763</u>	<u>-</u>

	31 December 2016	Fair value as at 31 December 2016		
		Level 1	Level 2	Level 3
		TL	TL	TL
Buildings	859,345,116	-	859,345,116	-
Investment properties under development	646,462,575	-	646,462,575	-
	<u>1,505,807,691</u>	<u>-</u>	<u>1,505,807,691</u>	<u>-</u>

There were no transfers between Level 1 and Level 2 during the year.

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REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

8. INVESTMENT PROPERTIES (cont'd)

<u>Investment properties</u>	31 December 2016	Addition	Transfer	Fair value difference	30 June 2017
	Fair value				Fair value
İstanbul Karaköy Building	32,600,000	-	-	-	32,600,000
İstanbul Salıpazarı Building	49,362,000	2,167,931	-	-	51,529,931
İzmir Konak Building-1	25,130,000	-	-	-	25,130,000
Ankara Kızılay Building	17,013,475	-	-	-	17,013,475
İstanbul Beyoğlu Building	24,555,000	-	-	-	24,555,000
İstanbul Beşiktaş Building	18,320,000	-	-	-	18,320,000
İstanbul Etiler Building	16,766,000	-	-	-	16,766,000
İstanbul Şişli Building	15,135,034	-	-	-	15,135,034
İzmir Konak Building-2	14,842,000	-	-	-	14,842,000
Ankara Başkent Building	11,854,750	-	-	-	11,854,750
İstanbul Bakırköy Building	21,500,350	-	-	-	21,500,350
Bursa Building	13,200,000	-	-	-	13,200,000
Ankara Bahçelievler Building 1	9,860,000	-	-	-	9,860,000
Kocaeli Building	11,862,000	-	-	-	11,862,000
İstanbul Fatih Building	11,253,750	-	-	-	11,253,750
İstanbul Caddebostan Building	11,225,000	-	-	-	11,225,000
Sakarya Adapazarı Building	10,875,000	-	-	-	10,875,000
Ankara Bahçelievler Building 2	8,100,000	-	-	-	8,100,000
İstanbul Ataköy Building	11,260,000	-	-	-	11,260,000
İstanbul Nişantaşı Building	8,549,250	-	-	-	8,549,250
Halkbank Finance Tower	186,636,280	-	-	-	186,636,280
Park Dedeman Levent Hotel	165,378,233	-	-	-	165,378,233
Kocaeli Şekerpınar Block A	88,704,000	-	-	-	88,704,000
Eskişehir Panorama Plus Project - Block D	4,199,760	-	-	-	4,199,760
Eskişehir Panorama Plus Project - Block B17	862,650	-	-	-	862,650
Kocaeli Şekerpınar Office Project	70,300,584	204,204	-	-	70,504,788
Total Buildings	859,345,116	2,372,135	-	-	861,717,251
İstanbul Finance Centeer Project	646,462,575	29,768,937	-	-	676,231,512
Total investment properties under development	646,462,575	29,768,937	-	-	676,231,512
Total	1,505,807,691	32,141,072	-	-	1,537,948,763

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8. INVESTMENT PROPERTIES (cont'd)

<u>Investment properties</u>	31 December 2015	Addition	Transfer	Fair value difference	30 June 2016 Fair
	Fair value				value
İstanbul Karaköy Building	30,000,000	-	-	-	30,000,000
İstanbul Salıpazarı Building	46,680,000	8,057	-	-	46,688,057
İzmir Konak Building-1	21,382,200	-	-	-	21,382,200
Ankara Kızılay Building	16,200,000	-	-	-	16,200,000
İstanbul Beyoğlu Building	22,000,000	-	-	-	22,000,000
İstanbul Beşiktaş Building	16,030,000	-	-	-	16,030,000
İstanbul Etiler Building	16,200,000	-	-	-	16,200,000
İstanbul Şişli Building	14,325,000	-	-	-	14,325,000
İzmir Konak Building-2	13,470,000	-	-	-	13,470,000
Ankara Başkent Building	11,000,000	-	-	-	11,000,000
İstanbul Bakırköy Building	20,865,000	-	-	-	20,865,000
Bursa Building	11,860,000	-	-	-	11,860,000
Ankara Bahçelievler Building 1	9,000,000	-	-	-	9,000,000
Kocaeli Building	10,544,000	-	-	-	10,544,000
İstanbul Fatih Building	10,000,000	-	-	-	10,000,000
İstanbul Caddebostan Building	18,690,000	-	-	-	18,690,000
Sakarya Adapazarı Building	9,032,500	-	-	-	9,032,500
Ankara Bahçelievler Building 2	7,650,000	-	-	-	7,650,000
İstanbul Ataköy Building	10,975,000	-	-	-	10,975,000
İstanbul Nişantaşı Building	8,200,000	-	-	-	8,200,000
Ataşehir Finance Tower	181,205,360	-	-	-	181,205,360
Park Dedeman Levent Hotel	145,107,568	-	-	-	145,107,568
Kocaeli Şekerpinar Banking Center	82,521,600	-	-	-	82,521,600
Eskişehir Panaroma Plus Project - Block D	4,177,025	-	-	-	4,177,025
Eskişehir Panaroma Plus Project - Block B17	649,863	-	-	-	649,863
Total Buildings	737,765,116	8,057	-	-	737,773,173
İstanbul Finance Center Project	632,096,740	1,163,990	-	-	633,260,730
Kocaeli Şekerpinar Office Project	67,592,931	2,570,746	-	-	70,163,677
Total investment properties under development	699,689,671	3,734,736	-	-	703,424,407
Total	1,437,454,787	3,742,793	-	-	1,441,197,580

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8. INVESTMENT PROPERTIES (cont'd)

Buildings

İstanbul Karaköy Building

İstanbul Karaköy Building is registered to Beyoğlu/İstanbul Müeyyetzade neighbourhood with 102 city block and 3rd plot. It is a massive block office building with a place of 583 m2 at land register.

The value of the investment property has been determined as TL 23,500,000 according to the report dated 13 November 2009 prepared by real estate appraisal company licensed by the CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Karaköy Building was determined as TL 32,600,000 according to market comparable approach based on the report dated 13 December 2016 prepared by real estate appraisal company licensed by the CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 727,650 of rental income for the period 1 January 2017-30 June 2017.

İstanbul Salıpazarı Building

İstanbul Salıpazarı Building is registered with Beyoğlu/İstanbul Kılıçali neighbourhood with 57 city block and 14th plot with 1,196 m2 at the deed register.

The value of the investment property was determined as TL 22,000,000 according to the report dated 13 November 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Salıpazarı Building was determined as TL 49,362,000 according to the market comparable approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company earned TL 233,032 of rental income for the period 1 January 2017 - 30 June 2017. The Company signed an agreement with Beril Otelcilik Turizm ve Tic. Ltd. Şti. to rent Salıpazarı Building as a hotel. The alterations permit was granted on 6 January 2017 and the transformation process to renovate it as a hotel is ongoing.

İzmir Konak Building-1

İzmir Konak Corporate Building is registered with Konak/İzmir Akdeniz neighbourhood with 971 city block and 17rd plot with 739 m2 at the deed register. Construction servitude have not been established with the deed registrar for the independent sections of the property.

The value of the investment property has been determined as TL 13,400,000 according to the report dated 9 December 2009 prepared by real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Konak Corporate Building was determined as TL 25,130,000 according to the market comparable approach based on the report dated 14 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 661,500 of rental income for the period 1 January 2017 - 30 June 2017.

Ankara Kızılay Building

Ankara Kızılay Building is registered with Çankaya/Ankara Cumhuriyet neighbourhood with 1064 city block and 14th plot with 272 m2 at the deed register as apartment block.

The value of the investment property was determined as TL 12,475,237 according to the report dated 11 February 2010 prepared by the experts assigned by the Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Kızılay Building and Service Building was determined as TL 17,013,475 according to the market comparable approach based on the report dated 23 December 2016 prepared by real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company has rented this property to HalkBank. The Company earned TL 667,800 of rental income for the period of 1 January 2017 - 30 June 2017.

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8. INVESTMENT PROPERTIES (cont'd)

Buildings (cont'd)

İstanbul Beyoğlu Building

İstanbul Beyoğlu Building is registered with Beyoğlu/İstanbul Hüseyinağa neighbourhood with 338 city block and 8th plot with 195 m² office building with certain depth, and altitude height of 5.5 meter at the deed register, also with a public passage right under the name of Istanbul Municipality.

The value of the investment property was determined as TL 12,000,000 according to the report dated 9 December 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Beyoğlu Building was determined as TL 24,555,000 according to the market comparable approach based on the report dated 14 Aralık 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented 2nd, 3rd, 4th, 5th and 6th floors of this property to Turkish Treasury and other divisions to Halkbank. The Company earned TL 735,021 of rental income for the period 1 January 2017 - 30 June 2017.

İstanbul Beşiktaş Building

İstanbul Beşiktaş Building is registered to Beşiktaş/İstanbul Sinanpaşa neighbourhood with 291 city block and 93rd plot with 267 m² building at the deed register.

The value of the investment property was determined as TL 11,893,840 according to the report dated 12 January 2010 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 27 October 2010 by Halkbank. The fair value of Beşiktaş Building was determined as TL 18,320,000 according to the market comparable approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 630,000 of rental income for the period 1 January 2017 - 30 June 2017.

İstanbul Etiler Building

İstanbul Etiler Building is registered to Beşiktaş/İstanbul 1st Region with 578 city block and 3rd plot with 617 m² residential house at the deed register.

The value of the investment property was determined as TL 11,000,000 according to the report dated 13 November 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 27 October 2010 by Halkbank. The fair value of Etiler Building was determined as TL 16,766,000 according to the market comparable approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 491,400 of rental income for the period 1 January 2017 - 31 June 2017.

İstanbul Şişli Building

İstanbul Şişli Building is registered with Şişli/İstanbul Meşrutiyet neighbourhood with, 129 plate, 954 city block and 62nd plot with 200 m² block apartment at the deed register.

The value of the investment property was determined as TL 11,000,000 according to the report dated 9 December 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Şişli Building was determined as TL 15,135,034 according to the market comparable approach based on the report dated 16 December 2016 prepared by real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 485,100 of rental income for the period 1 January 2017 - 30 June 2017.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

8. INVESTMENT PROPERTIES (cont'd)

Buildings (cont'd)

İzmir Konak Building-2

İzmir Konak Building is registered with Konak/İzmir Akdeniz neighbourhood with 2802 city block and 15rd plot with 616 m² building at the deed register.

The value of the investment property was determined as TL 10,290,000 according to the report dated 9 December 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Konak Building was determined as TL 14,842,000 according to the market comparable approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented a part of the investment property to Halkbank and other part to Halk Hayat ve Emeklilik A.Ş. The Company earned TL 414,971 of rental income for the period 1 January 2017 - 30 June 2017.

Ankara Başkent Building

Ankara Başkent Building is registered with Çankaya/Ankara Cumhuriyet neighbourhood with 1046 city block and 27th plot with 205 m² block apartment at the deed register.

The value of the investment property was determined as TL 9,541,729 according to the report dated 11 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Başkent Building was determined as TL 11,854,750 according to the market comparable approach based on the report dated 16 December 2016 prepared by a real estate appraisal company licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank and Ceda Akaryakit. The Company earned TL 535,177 of rental income for the period 1 January 2017 - 30 June 2017.

İstanbul Bakırköy Building

İstanbul Bakırköy Building is registered with Bakırköy/İstanbul Zeytinlik neighbourhood with 101 city block and 29th plot with 213 m² eight-storey apartment at the deed register.

The value of the investment property was determined as TL 9,023,500 according to the report that was prepared at 5 February 2010 by the experts assigned by Commercial Court and it was devolved as capital in kind at 28 October 2010 by Halkbank. According to 16 December 2016 dated report of a real estate valuation firm licensed by the CMB, the fair value of Bakırköy Building was determined as TL 21,500,350 according to the market comparable approach. There is no restriction on this investment property. The Company has rented this property to Halkbank. The Company earned TL 693,000 of rental income for the period 1 January 2017 - 30 June 2017.

Bursa Building

Bursa Building is registered to Osmangazi/Bursa Kayıhan neighbourhood with 4306 city block and 1st plot. It is a seven-storey massive block apartment with a place of 306 m² at land register.

The value of the investment property has been determined as TL 8,500,000 according to the report dated 11 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Bursa Building was determined as TL 13,200,000 according to market comparable approach based on the report dated 16 December 2016 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 464,940 of rental income for the period 1 January 2017 - 30 June 2017.

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(Amounts expressed in Turkish Lira (TL))

8. INVESTMENT PROPERTIES (cont'd)

Buildings (cont'd)

Ankara Bahçelievler Building-1

Ankara Bahçelievler Building-1 is registered with Çankaya/Ankara Yukarı Bahçelievler neighbourhood with 2758 city block and 29th plot with 612 m² five-storey apartment at the deed register.

The value of the investment property was determined as TL 6,681,356 according to the report dated 11 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Ankara Bahçelievler Building was determined as TL 9,860,000 according to the market comparable approach based on the report dated 13 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 350,910 of rental income for the period 1 January 2017 - 30 June 2017.

Kocaeli Building

Kocaeli Building is registered with İzmit/Kocaeli Ömerağa neighbourhood with 870 city block and 48th plot with 284 m² building at the deed register.

The value of the investment property was determined as TL 6,519,193 according to the report dated 12 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Kocaeli Building was determined as TL 11,862,000 according to the market comparable approach based on the report dated 14 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 441,000 of rental income for the period 1 January 2017 - 30 June 2017.

İstanbul Fatih Building

İstanbul Commercial Building is registered with Fatih/İstanbul Hobyar neighbourhood with 418 city block and 2nd plot with 208 m² bank building at the deed register.

The value of the investment property was determined as TL 6,380,000 according to the report dated 9 December 2009 prepared by real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Fatih Building was determined as TL 11,253,750 according to the market comparable approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 315,000 of rental income for the period 1 January 2017 - 30 June 2017.

İstanbul Caddebostan Building

İstanbul Caddebostan Building is registered with Kadıköy/İstanbul Erenköy neighbourhood with 368 city block and 25th plot with 902 m² apartment with a garden at the deed register.

The value of the investment property was determined as TL 6,300,000 according to the report dated 11 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 3 November 2010 by Halkbank. The fair value of Caddebostan Building was determined as TL 11,225,000 according to market comparable approach based on the report dated 16 December 2016 prepared by a real estate appraisal company licensed by the CMB. There is no restriction on this investment property. The Company has rented this property to HalkBank. The agreement between the Company and Halkbank expired on 25 January 2016. The main contractor services agreement has been signed on 3 November 2016 for "Caddebostan Building" which is in the urban transformation process. Land value has been taken into account in calculating its value because of urban transformation process.

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REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

8. INVESTMENT PROPERTIES (cont'd)

Buildings (cont'd)

Sakarya Adapazarı Building

Sakarya Adapazarı Building is registered with Adapazarı/Sakarya Cumhuriyet neighbourhood with 130 city block and 167th plot with 3,000 m² building at the deed register.

The value of the investment property was determined as TL 5,960,000 according to the report dated 11 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Adapazarı Building was determined as TL 10,875,000 according to the market comparable approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 402,759 of rental income for the period 1 January 2017 - 30 June 2017.

Ankara Bahçelievler Building-2

Ankara Bahçelievler Building -2 is registered with Çankaya/Ankara Yukarı Bahçelievler neighbourhood with 2763 city block and 10th plot with 610 m² apartment at the deed register.

The value of the investment property was determined as TL 5,684,746 according to the report dated 11 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Bahçelievler Building was determined as TL 8,100,000 according to the market comparable approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş. ("Koton"). The Company earned TL 281,751 of rental income for the period 1 January 2017 - 30 June 2017. As at 24 May 2017, the rent agreement with Koton was terminated.

İstanbul Ataköy Building

İstanbul Ataköy Building is registered with Bakırköy/İstanbul Kartaltepe neighbourhood with 115 city block and 174th plot with 515 m² bank building at the deed register.

The value of the investment property was determined as TL 5,061,500 according to the report dated 5 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Ataköy Building was determined as TL 11,260,000 according to the market comparable approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 389,025 of rental income for the period 1 January 2017 - 30 June 2017.

İstanbul Nişantaşı Building

İstanbul Nişantaşı Building is registered with Şişli/İstanbul Halaskargazi neighbourhood with 680 city block and 14th plot 221.50 m² eight-storey restaurant building at the deed register. Related property is classified as a cultural asset that is needed to be protected.

The value of the investment property was determined as TL 5,000,000 according to the report dated 12 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Nişantaşı Building was determined as TL 8,549,250 according to the market comparable approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 264,600 of rental income for the period 1 January 2017 - 30 June 2017.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

8. INVESTMENT PROPERTIES (cont'd)

Buildings (cont'd)

Halkbank Finans Tower

Halkbank Finance Tower is registered with Ataşehir/Küçükbakkalköy neighbourhood with 3332 city block and 24th plot with 7,995 m2 land at the deed register. The investment property has been purchased from the K Yapı Gayrimenkul Geliştirme İnş. San. ve Dış Tic. A.Ş. Due to the related agreement, the payment of half of the cost value of TL 72,275,000, including VAT, has been made concurrent to the transfer of 103 deeds with servitude rights. 25% of the sale price TL 36,137,500 was paid on 13 June 2012 and the last 25% of sale price TL 33,237,500 was paid on 30 July 2012. The the remaining payment of TL 2,900,000 on the purchase is offset against the other transactions with the K Yapı Gayrimenkul Geliştirme İnş. San. ve Dış Tic. AŞ. With the payment of first part, the deed registration fee of TL 2,070,600, settling resgistration expenses of TL 509,253 and finance cost of TL 1,466,224 for the loan related with this acquisition are added to the land and building costs. TL 150,000,000 of mortgage has been given as collateral for the loan which was obtained for financing Halkbank Finance Tower construction from Halkbank.

The fair value of Halkbank Finance Tower was determined as TL 186.636.280 according to the market comparable approach based on the report dated 27 December 2016 prepared by a real estate appraisal firm licensed by the CMB. The Company rented this property to T. Halk Bankası A.Ş. The Company has recognized TL 7,984,085 of rental income for the period 1 January 2017 - 30 June 2017.

Park Dedeman Levent Hotel

Levent Land is registered with Mecidiyeköy/Şişli neighbourhood with 1957 city block and 6th plot with 2,791 m2 at the deed register. The value of the investment property was determined as TL 25,799,000 according to the report dated 22 February 2010 by the experts assigned by Commercial Court and transferred to the Company as capital in kind on 3 November 2010 by Halkbank. The Hotel Project on the land has been started with the agreement between Dedeman Turizm Yönetimi AŞ. The fair value of Park Dedeman Levent Hotel was determined as TL 165,378,233 according to the cost approach based on the report dated 27 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property.

The Company rented this property to Dedeman Turizm Yönetimi A.Ş. The Company has recognized TL 5,696,250 of rental income for the period 1 January 2017 - 30 June 2017.

Kocaeli Şekerpinar Block A

Şekerpinar Block A is registered with Şekerpinar/Kocaeli neighbourhood with 420 block and 26 plot. There is no restriction on this investment property. Occupancy permit for Şekerpinar Block A was received as of 14 October 2015. Within the frame of the memorandum of understanding signed with Halkbank on 21 May 2015, a 10-year lease agreement has been signed to be valid commencing on 15 April 2015 with an amount of TL 442,625+VAT. The fair value of the investment property, Şekerpinar Banking Center, was determined as TL 88,704,000 according to the cost approach based on the report dated 22 December 2016 prepared by a real estate appraisal firm licensed by the CMB.

The Company has recognized TL 2,911,323 of rental income for the period 1 January 2017 - 30 June 2017.

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(Amounts expressed in Turkish Lira (TL))

8. INVESTMENT PROPERTIES (cont'd)

Buildings (cont'd)

Eskişehir– Panaroma Plus Konut Project – Block D

Eskişehir Block D is registered with Odunpazarı/Eskişehir neighbourhood with 13,124 block and 1 plot. There is no restriction on this investment property. Occupancy permit for Eskişehir Block D was received as of 28 August 2015. The Company signed 10-year lease agreement with Migros Ticaret A.Ş. on 20 August 2015. Within the frame of related lease agreement, starting date of lease is determined as the same date of the store opening. The fair value of this investment property was determined as TL 4,199,760 according to the market value approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. The Company earned TL 65,266 of rental income for the period 1 January 2017 - 30 June 2017. The Company has signed a sales promise agreement for the related property on April 26, 2017 and the land register has not been transferred. The revenue are classified under deferred income.

Eskişehir– Panaroma Plus Konut Project –Block B17

Eskişehir Block B is registered with Odunpazarı/Eskişehir neighbourhood with 13,124 block and 1 plot. There is no restriction on this investment property. Occupancy permit for Eskişehir Block B was received as of 2 November 2015. The Company signed a lease agreement amounted to TL 6,000+VAT with a real person on 1 November 2015. The fair value of the investment property was determined as TL 862,650 according to the market value approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. The Company earned TL 37,800 of rental income for the period 1 January 2017 - 30 June 2017.

Kocaeli Şekerpınar Office Project

Şekerpınar land is registered with Şekerpınar/Kocaeli neighbourhood with 420 block and 26 plot with 15,652 m2 land at the deed register. There is no restriction on this investment property. The Company has signed an agreement for the architectural design of office buildings on the land due to construction a building for banking operational centre, and licence is received for the first and second zone as at 28 August 2013 and 28 March 2014, respectively. First zone of the Project, Block A, has been completed and classified as a building. The fair value of the investment property of second zone of the Project, Block B, was determined as TL 70,300,584 according to the market value approach based on the report dated 22 December 2016 prepared by a real estate appraisal firm licensed by the CMB.

Investment properties under construction

İstanbul Finance Center Project

Ataşehir Land is registered with Ümraniye/İstanbul Küçükbakkalköy neighbourhood with 3328 city block and 3rd plot with 28,732 m2 at the deed register. The value of the investment property was determined as TL 229,846,920 according to the report dated 18 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Ataşehir Land has been determined as TL 646,462,575 according to the market value approach based on the report dated 22 December 2016 prepared by a real estate appraisal firm licensed by the CMB. The Company applied for construction licence on 31 December 2014.

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(Amounts expressed in Turkish Lira (TL))

8. INVESTMENT PROPERTIES (cont'd)

Investment properties under construction (cont'd)

İstanbul Finance Center Project (cont'd)

Finance Center (IFC) project is developed under the coordination of the Ministry of Environment and Urbanisation of Turkish Republic. A protocol and initial memorandum is signed between the Company and the Ministry regarding the administration process of the IFC project. At 25 December 2012, previous 3323 city block and 3rd plot of the Company has been revised at the new partition plan of the Project and new land is registered as 3328 block 4th plot and 3328 block 11th plot. Plots have surface area of 16,337 m2 and 12,395 m2, 135,835 m2 and 102,953 m2 above podium constructions areas respectively as 3328 block 4th plot and 11th plot are parcelled from previous 3323 block 3rd plot and total construction area of the Company on the Land is protected during the partition. At 10 June 2015, the construction permits for the IFC was granted for the combined use (office&retail) project. The main contractor agreement was signed for the IFM project on 8 December 2016, and the construction is ongoing as of the date of this report.

Operating leases

The Company as lessor

The Company has signed operating lease agreements with Halkbank, Koton, Halk Sigorta, Turkish Treasury, Migros, Ceda Akaryakıt Turizm and Sapaz Otelcilik Turizm as lessor. The future minimum lease payments as at 30 June 2017 and 31 December 2016 under non-cancellable leases are as follows:

Operational lease	30 June 2017	31 December 2016
Less than one year	48,282,636	47,668,231
Between one and five years	146,511,555	151,368,362
More than five years	198,004,365	50,827,720
	<u>392,798,556</u>	<u>249,864,313</u>

9. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixture	Leashold improvements	Total
Cost			
Opening balance as at 1 January 2017	1,168,158	661,327	1,829,485
Additions	21,740	-	21,740
Disposals	-	-	-
Closing balance as at 30 June 2017	<u>1,189,898</u>	<u>661,327</u>	<u>1,851,225</u>
Accumulated depreciation			
Opening balance as at 1 January 2017	(746,715)	(661,327)	(1,408,042)
Period charge	(150,625)	-	(150,625)
Disposals	-	-	-
Closing balance as at 30 June 2017	<u>(897,340)</u>	<u>(661,327)</u>	<u>(1,558,667)</u>
Carrying value as at 30 June 2017	<u>292,558</u>	<u>-</u>	<u>292,558</u>

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9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Furniture and fixture	Leashold improvements	Total
Cost			
Opening balance as at 1 January 2016	1,133,691	661,327	1,795,018
Additions	16,989	-	16,989
Disposals	-	-	-
Closing balance as at 30 June 2016	1,150,680	661,327	1,812,007
Accumulated depreciation			
Opening balance as at 1 January 2016	(545,968)	(661,327)	(1,207,295)
Period charge	(98,931)	-	(98,931)
Disposals	-	-	-
Closing balance as at 30 June 2016	(644,899)	(661,327)	(1,306,226)
Carrying value as at 30 June 2016	505,781	-	505,781

The following useful lives are used in the calculation of depreciation:

	Useful life
Furniture and fixture	5 years
Leashold improvements	5 years

Depreciation expenses of TL 150,625 (2015: TL 98,931) have been charged in ' general administrative expenses'.

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10. INTANGIBLE ASSETS

	Other intangible assets	Total
Cost		
Opening balance as at 1 January 2017	755,396	755,396
Additions	-	-
Disposals	-	-
Closing balance as at 30 June 2017	755,396	755,396
Accumulated Amortization		
Opening balance as at 1 January 2017	(439,122)	(439,122)
Period charge	(100,618)	(100,618)
Disposals	-	-
Closing balance as at 30 June 2017	(539,740)	(539,740)
Carrying value as at 30 June 2017	215,656	215,656
	Other intangible assets	Total
Cost		
Opening balance as at 1 January 2016	755,396	755,396
Additions	-	-
Disposals	-	-
Closing balance as at 30 June 2016	755,396	755,396
Birikmiş İtfa Payları		
Opening balance as at 1 January 2016	(225,154)	(225,154)
Period charge	(106,398)	(106,398)
Disposals	-	-
Closing balance as at 30 June 2016	(331,552)	(331,552)
Carrying value as at 30 June 2017	423,844	423,844

Amortization expenses of TL 100,618 (2015: TL 106,398) have been charged in ‘general administrative expenses’.

The following useful lives are used in the calculation of amortization:

	Useful life
Other intangible assets	3 years

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11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

As at 30 June 2017 and 31 December 2016 lawsuit details is as follows:

	30 June 2017	31 December 2016
<u>Other short term provisions</u>		
Lawsuit provision	67,760	67,760
	<u>67,760</u>	<u>67,760</u>

	<u>Legal claims</u>	<u>Total</u>
Balance at 1 January	67,760	67,760
Additional provisions recognized	-	-
Balance at 31 December	<u>67,760</u>	<u>67,760</u>

	<u>Legal claims</u>	<u>Total</u>
Balance at 1 January	67,760	67,760
Additional provisions recognized	-	-
Balance at 31 December	<u>67,760</u>	<u>67,760</u>

A provision amounting to TL 67,670 has been set aside for the value determination case in Eskişehir Consumer Court ongoing as of the balance sheet date.

b) Guarantees-Pledge-Mortgage (“GPM”)

According to the CMB’s decision dated 9 September 2009 related to the commitments of publicly owned companies given to the guarantee 3rd party’s debts, the commitments given;

For companies other than publicly owned investment trust and financial institutions, no limitation is imposed;

- i) For their own corporate identities
- ii) In favour of fully consolidated subsidiaries
- iii) In favour of 3rd parties in the normal course of their operations.

After the decision is published at the Public Disclosure Platform, publicly owned companies will not give commitments, except for those given under normal course of their operations, to real people or corporations other than mentioned at the bullets (i) and (ii) above or to third parties other than mentioned at the bullet (iii). If any commitment has already been given it will be reduced to nil until 31 December 2014.

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(Amounts expressed in Turkish Lira (TL))

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

b) Guarantees-Pledge-Mortgage ("GPM") (cont'd)

30 June 2017		TL karşılığı
A. CPMs given for Company's own legal personality		254,711,239
	-Collateral	104,711,239
	-Pledge	-
	-Mortgage	150,000,000
B. CPMs given on behalf of fully consolidated companies		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
C. CPMs given in the normal course of business activities on behalf of third parties		94,420,707
	-Collateral	94,420,707
	-Pledge	-
	-Mortgage	-
D. Total amount of other CPMs		-
i. Total amount of CPMs given on behalf of the parent		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
Total		349,131,946

a) A mortgage have been given to HalkBank Finance Tower amounting to TL 150,000,000 (31 December 2016: TL 150,000,000) (Although loan agreement has been closed, mortgage has not been cancelled under general loan agreement between Halkbank and the Company). A guarantee letter given for road accession commitment of Halkbank Finance Tower amounting to TL 97,504,542 (31 December 2016: TL 97,504,542). Mortgages have been given to customers related to loan for Eskişehir and Referans Bakırköy projects amounting to TL 3,272,500, related to Caddebostan renovation amounting to TL 1,266,405, related to VAT return and lawsuit for Eskişehir project respectively amounting to TL 2,154,084 and TL 97,143, Dedeman Hotel Project road construction participation amounting to TL 367,626 (31 December 2016: TL 368,882) and guarantee letter given for Kocaeli project amounting to TL 48,938 (31 December 2016: 48,938).

b) The balance consist of Company being a guarantor for the customers of the Company's joint operation Halk GYO&Vakıf GYO Adi Ortaklığı's pre-sales of residences at Bizimtepe Aydos Project. If customers use loans from banks that the Company agreed, Company will be guarantor to the customers. Halk GYO&Vakıf GYO Adi Ortaklığı signed a general guarantee agreement with the agreed banks amounting to TL910,000,000. The Company's responsibility in this guarantee is TL 455,000,000. Pre-sales of Halk GYO&Vakıf GYO Adi Ortaklığı performed through this guarantee agreement amounted to TL 157,908,160. The risk of the Company is TL 78,955,080 from the pre-sales through this guarantee agreement as of 30 June 2017. The proportion of other CPM to the Company's equity is 4.78% as at 30 June 2017.

(c) The balance consist of Company being a guarantor for the customers of the Company's joint operation Halk GYO&Erkonut Adi Ortaklığı's pre-sales of residences at Erzurum Şehristan Project. If customers use loans from banks that the Company agreed, Company will be guarantor to the customers. Halk GYO&Erkonut Adi Ortaklığı signed a general guarantee agreement with the agreed banks amounting to TL260,000,000 as of 30 June 2017. The Company's responsibility in this guarantee is TL 127,500,000. Pre-sales of Halk GYO&Erkonut Adi Ortaklığı performed through the guarantee agreement amounted to TL 30,933,253. The risk of the Company is TL 15,466,626 from the pre-sales through this guarantee agreement as of 30 June 2017. The proportion of other CPM to the Company's equity is 0.94% as at 30 June 2017.

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(Amounts expressed in Turkish Lira (TL))

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

b) Guarantees-Pledge-Mortgage ("GPM") (cont'd)

31 December 2016		TL karşılığı
A. CPMs given for Company's own legal personality		256,159,616
	-Collateral	106,159,616
	-Pledge	-
	-Mortgage	150,000,000
B. CPMs given on behalf of fully consolidated companies		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
C. CPMs given in the normal course of business activities on behalf of third parties		73,948,731
	-Collateral	73,948,731
	-Pledge	-
	-Mortgage	-
D. Total amount of other CPMs		-
i. Total amount of CPMs given on behalf of the parent		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
ii. Total amount of CPMs given to on behalf of other Group companies which are not in scope of B and C		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
iii. Total amount of CPMs given on behalf of third parties which are not in scope of C		-
	-Collateral	-
	-Pledge	-
	-Mortgage	-
Total		330,108,347

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REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

b) Guarantees-Pledge-Mortgage ("GPM") (cont'd)

	30 June 2017	31 December 2016
YDA İnşaat San. Ve Tic. A.Ş. ⁽¹¹⁾	82,665,000	82,665,000
Haldız İnşaat Otomotiv ve Tic. Ltd. Şti. ⁽⁷⁾	26,394,412	26,950,000
Er Konut İnş. Taah. İnşaat Malz. Nak. ve Mad. Tic. A.Ş. ⁽⁹⁾	13,650,000	13,650,000
Biskon Yapı A.Ş. ⁽³⁾	2,339,948	300,000
Dedeman Turizm Yönetimi A.Ş. ⁽²⁾	16,012,000	14,839,600
Sapaz Otelcilik Turizm İnşaat Sanayi Ve Ticaret A.Ş. ⁽⁸⁾	6,004,500	5,564,850
İlgazlar İnşaat Tic. Ve San. A.Ş. ⁽⁶⁾	1,440,000	2,400,000
K Yapı Gayrimenkul Geliştirme İnş. San. Ve Dış Tic. A.Ş. ⁽¹⁾	2,000,000	2,000,000
CNV Yapı Mimarlık San. Tic. Ltd. Şti. ⁽¹⁰⁾	1,610,000	1,610,000
Entegre Proje Yönetim Dan.Müh.Tic. A.Ş. ⁽⁴⁾	693,158	693,158
Koton Mağazacılık Tekstil San ve Tic AŞ ⁽⁵⁾	440,060	440,060
Borusan Makine ve Güç Sistemleri San.ve Tic. A.Ş. ⁽¹⁾	381,886	353,924
YPU Yapı Proje Uygulama Ltd. Şti. ⁽⁷⁾	273,990	337,170
Direk Reklam İnş. San. Tic. A.Ş. ⁽⁷⁾	211,542	-
Mutlu Çilingiroğlu Miar Mimarlık İnş. San. Ve Tic. Ltd. Şti. ⁽⁷⁾	160,500	160,500
Megapol Mühendislik Tic. A.Ş. ⁽¹⁾	225,000	225,000
Other	474,358	343,555
	<u>154,976,355</u>	<u>152,532,817</u>

⁽¹⁾ The Company has received letter of guarantee from the suppliers for architectural and construction activities for the banking operations center project under construction in Kocaeli Şekerpınar Land.

⁽²⁾ The Company has received letter of guarantee from the lessee for Dedeman Otel Project.

⁽³⁾ The Company has received letter of guarantee from the contractor Biskon Yapı AŞ for the "Land Sale of Revenue Sharing" project.

⁽⁴⁾ The Company has received letter of guarantee from the suppliers for architectural and construction activities for İstanbul Financial Center (IFC) Project.

⁽⁵⁾ Koton Mağazacılık Tekstil San. ve Tic. AŞ is the lessee of the Company.

⁽⁶⁾ This company is the contractor of Eskişehir Panorama Project.

⁽⁷⁾ Letters of guarantee have been received from suppliers relating to architectural and construction businesses of Bizimtepe Aydos project.

⁽⁸⁾ Sapaz Otelcilik Turizm İnşaat Sanayi ve Ticaret AŞ is a lessee of the Company.

⁽⁹⁾ The Company has received a letter of guarantee for the Erzurum Şehristan Project.

⁽¹⁰⁾ This letter of guarantee has been received for Caddebostan Building.

⁽¹¹⁾ The Company has received a letter of guarantee from the primary contractor for architectural and construction activities for İstanbul Financial Center (IFC) Project.

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REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

12. EMPLOYEE BENEFITS

Short-term provisions for employee benefits

	30 June 2017	31 December 2016
Employee bonus accruals	309,544	543,573
Unused vacation accruals	290,459	257,582
	<u>600,003</u>	<u>801,155</u>

Long-term provisions for employee benefits

	30 June 2017	31 December 2016
Retirement pay provision	343,559	202,050
	<u>343,559</u>	<u>202,050</u>

Provision for retirement pay liability:

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 4,732.48 for each period of service at 30 June 2017 (31 December 2016: TL 4.426,16).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 *Employee Benefits* stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. Accordingly, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 30 June 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 2.83% real discount rate (31 December 2016: 4.72%) calculated by using 6% annual inflation rate and 9% discount rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 2.94% for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling amount of TL 4.732,48 which is in effect since 1 July 2017 is used in the calculation of Groups' provision for retirement pay liability (1 July 2016: TL 4.297,21).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

- If the discount rate would have been 1% lower/(higher), provision for employee termination benefits would increase/(decrease) by TL 47,473 / TL (58,840).
- If the anticipated turnover rate would have been 1% higher/(lower) while all other variables were held constant, provision for employee termination benefits would decrease/(increase) by TL 6,037 / TL (6,426).

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

13. EXPENSES BY NATURE

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Cost of residence sales	7,833,338	4,053,521	6,853,015	4,495,914
Personnel expenses	3,583,850	1,761,438	3,054,755	1,607,433
Commission expenses	1,527,134	443,246	1,646,223	378,415
Travel and car expenses	569,779	94,904	169,377	41,721
Advertisement expenses	369,681	213,207	138,872	50,527
Property tax expenses	386,007	386,007	343,248	329,736
Outsource servise expenses	281,995	137,880	209,788	110,720
Depreciation and amortization expenses	251,243	143,212	205,329	99,145
Rent expenses	248,466	124,233	235,423	117,711
Taxes and duties	245,488	97,462	414,105	309,638
Consulting expenses	219,260	82,095	252,398	161,114
Stationery and IT related expenses	80,462	60,742	76,654	37,139
Maintenance expenses	22,650	18,685	12,264	5,034
Other	559,965	301,288	1,936,454	1,499,169
	<u>16,179,318</u>	<u>7,917,920</u>	<u>15,547,905</u>	<u>9,243,416</u>

14. OTHER ASSETS AND LIABILITIES

	30 June 2017	31 December 2016
<u>Other current assets</u>		
Deferred value added tax ("VAT")	10,523,680	9,400,241
Deposits and guarantees given	38,922	56,925
Business advances given	2,344	1,351
Other	100,215	1,915,412
	<u>10,665,161</u>	<u>11,373,929</u>
	30 June 2017	31 December 2016
<u>Other non-current assets</u>		
Deferred value added tax ("VAT")	32,001,132	23,221,557
	<u>32,001,132</u>	<u>23,221,557</u>

As at 30 June 2017, VAT receivable amounting to TL 32,001,132 (31 December 2016: 23,221,557) is resulted from purchasing Sancaktepe land of Halk GYO-Vakıf GYO Adi Ortaklığı and Erzurum Şehristan Project land of Halk GYO&Erkonut Adi Ortaklığı and is classified to "other non-current assets" since these are long term projects.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

15. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 30 June 2017 and 31 December 2016 the share capital held is as follows:

Shareholders	Group	%	30 June		31 December	
			2017	%	2016	
Halkbank	A	1.58	12,482,570	1.58	12,482,570	
Halkbank(*)	B	70.4	556,019,397	70.38	556,019,397	
Halk Yatırım Menkul Değerler A.Ş.	A	0.04	298,113	0.04	298,113	
Halk Finansal Kiralama AŞ	A	<0,01	1	<0,01	1	
Publicly traded	B	28.00	221,199,919	28.00	221,199,919	
Nominal capital		100	790,000,000	100	790,000,000	
Total capital			<u>790,000,000</u>		<u>790,000,000</u>	

(*) Halkbank also has 58,178,538 B group shares with 7.36% in the publicly traded held group (31 December 2016: 58,178,538 shares).

The Company shares are issued to the names into two groups; Group A and Group B. The Group A shares have the right to nominate the members of the Board of Directors ("BOD"). More than half of the BOD members are elected from the nominees of A Group shares and remaining members are elected from mutual nominees of A Group and B Group shares by the General Assembly. In capital increases new Group A shares are issued for Group A shares and new Group B shares are issued for Group B shares.

However, if the BOD restricts preemptive rights of shareholders, new shares are issued as Group B shares.

The Company has been established with registered capital ceiling of TL 1,500,000,000 each with par value of TL 1. The Company's issued capital is 790,000,000 shares amounting to TL 790,000,000. All capital has been committed by the founders; TL 196,217,979 paid in cash, TL 127,500,000 incorporated into capital from reserves and TL 466,282,021 paid in kind (real estates) by main shareholder Halkbank.

As per the Board of Directors decision numbered 49/110 on 15 August 2012, the Company's capital was increased to TL 662,500,000. Increased capital of TL 185,500,000 corresponding to 185,500,000 shares were publicly offered during 13-15 February 2013. As at 20 June 2013, the Company increased its share capital by TL 11,138,704 from retained earnings.

As at 5 June 2014, the Company increased its share capital by TL 24,261,296 from retained earnings.

As at 11 June 2015, the Company increased its share capital to TL 743,000,000 by transferring TL 45,100,000 from retained earnings to share capital.

As at 25 May 2016, the Company increased its share capital to TL 790,000,000 by transferring TL 47,000,000 from retained earnings to share capital.

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(Amounts expressed in Turkish Lira (TL))

15. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

b) Treasury shares acquired

The Company's treasury shares acquired are accounted for at cost. The Company holds 22,271,814 treasury shares as of 30 June 2017 (31 December 2016: 22,271,814 shares). The details of the treasury shares acquired are as follows:

Transaction	Transaction date	Nominal value	Weighted average share price	Transaction amount
Repurchased shares	26 February 2013	933,649	1.34	1,251,090
Repurchased shares	27 February 2013	736,571	1.34	987,004
Repurchased shares	28 February 2013	1,000,000	1.34	1,340,000
Repurchased shares	1 March 2013	2,297,269	1.32	3,021,922
Repurchased shares	5 March 2013	3,455,130	1.33	4,608,678
Repurchased shares	11 March 2013	457,867	1.32	604,384
Repurchased shares	12 March 2013	586,245	1.32	773,843
Repurchased shares	15 March 2013	2,000,000	1.32	2,640,000
Repurchased shares	21 March 2013	7,210,586	1.33	9,582,612
Bonus shares from incorporating reserves	20 June 2013	314,024	-	-
Bonus shares from incorporating reserves	5 June 2014	683,977	-	-
Bonus shares from incorporating reserves	11 June 2015	1,271,466	-	-
Bonus shares from incorporating reserves	25 May 2016	1,325,030	-	-
Total repurchased shares		22,271,814	1.11	24,809,533

c) Share premiums

The surplus of sales price over nominal value of shares amounted to TL 64,925,000 during the initial public offering on 13-15 February 2013 were accounted for as share premium. Commission expenses and legal expenses which are related with the initial public offering amounting to TL 8,847,688 are netted off with share premium. Additionally, the differences of sales price over nominal value of own shares acquired amounted to TL 6,132,216 are netted off with share premium.

d) Restricted reserves

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's paid-in capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted.

In accordance with the Turkish Commercial Code, the Company has to appropriate restricted reserve equivalent to the Company's treasury shares acquired. Such reserve can only be released in the amount of any sold or destroyed shares valued at acquisition cost.

As at 30 June 2017, the Company's restricted reserves are legal reserves amounting to TL 37,486,655 (31 December 2016: TL 37,486,655).

e) Dividends

As at 21 June 2017, dividends distributed to the shareholders amounting to TL 2,915,412.

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REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

16. REVENUE AND COST OF SALES

<u>Sales</u>	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Income on properties	39,711,610	19,793,376	37,162,126	19,299,743
Income from sale of residence	13,850,575	7,178,567	12,826,942	7,612,406
Rental income	25,861,035	12,614,809	24,335,184	11,687,337
Income on debt instruments	3,810,512	2,330,328	3,045,613	1,634,107
Interest income on deposits	3,810,512	2,330,328	3,004,860	1,595,110
Other	-	-	40,753	38,997
	<u>43,522,122</u>	<u>22,123,704</u>	<u>40,207,739</u>	<u>20,933,850</u>
<u>Cost of Sales</u>	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Cost of residence sales	7,833,338	4,053,521	6,853,015	4,495,914
Property tax expenses	386,007	386,007	343,248	329,736
Other	417,638	266,451	240,393	117,242
	<u>8,636,983</u>	<u>4,705,979</u>	<u>7,436,656</u>	<u>4,942,892</u>

17. ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
General administrative expenses (-)	5,884,972	2,733,371	4,741,108	2,499,943
Marketing expenses (-)	1,657,363	478,570	3,370,141	1,800,581
	<u>7,542,335</u>	<u>3,211,941</u>	<u>8,111,249</u>	<u>4,300,524</u>

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(Amounts expressed in Turkish Lira (TL))

17. ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES (cont'd)

a) Detail of general administrative expenses

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Personnel expenses	3,583,850	1,761,438	3,014,861	1,567,539
Taxes and duties	235,842	89,079	403,113	298,859
Consulting expenses	219,260	82,095	252,398	161,114
Rent expenses	248,466	124,233	235,423	117,711
Outsource servise expenses	281,995	137,880	209,788	110,720
Depreciation and amortization expenses	251,243	143,212	205,329	99,145
Travel and car expenses	569,779	94,904	169,377	41,721
Advertisement expenses	369,681	213,207	138,872	50,527
Stationery and IT related expenses	80,462	60,742	76,654	37,139
Maintanance expenses	22,650	18,685	12,264	5,034
Other	21,744	7,896	23,029	10,434
	<u>5,884,972</u>	<u>2,733,371</u>	<u>4,741,108</u>	<u>2,499,943</u>

Detail of personnel expenses

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Wages and salaries	2,060,832	842,353	2,045,737	1,042,828
Social Security Instituion employer's shares	359,038	199,874	381,545	213,017
Attendance fee	274,285	141,344	145,791	78,484
Other	889,695	577,867	441,788	233,210
	<u>3,583,850</u>	<u>1,761,438</u>	<u>3,014,861</u>	<u>1,567,539</u>

b) Detail of marketing expenses

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Commission expenses (*)	1,527,134	443,246	1,646,223	378,415
Personnel expenses	-	-	39,894	39,894
Taxes and duties	9,646	8,383	10,992	10,779
Other	120,583	26,941	1,673,032	1,371,493
	<u>1,657,363</u>	<u>478,570</u>	<u>3,370,141</u>	<u>1,800,581</u>

(*) Commission expenses comprise sales commissions related to Bizimtepe Aydos Project.

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(Amounts expressed in Turkish Lira (TL))

18. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the periods ended 30 June 2017 and 2016 are as follows:

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Foreign exchange gains	257,212	28,717	73,978	57,289
Incentives and discounts from public institutions	516,963	48,745	-	-
Other income	525,823	242,043	-	-
	<u>1,299,998</u>	<u>319,505</u>	<u>73,978</u>	<u>57,289</u>

The details of other expenses from operating activities for the periods ended 30 June 2017 and 2016 are as follows:

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Foreign exchange losses	(704,523)	(513,120)	(76,445)	(36,579)
Donations	(2,600,000)	-	-	-
	<u>(3,304,523)</u>	<u>(513,120)</u>	<u>(76,445)</u>	<u>(36,579)</u>

19. FINANCE EXPENSES

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Interest expenses	624,850	309,497	715,366	371,530
Other	-	-	33,479	-
	<u>624,850</u>	<u>309,497</u>	<u>748,845</u>	<u>371,530</u>

20. INCOME TAXES

According to the Article 5/1(d) (4) of the Corporate Tax Law numbered 5520, earnings of real estate investment trusts are exempt from Corporate Income Tax in Turkey.

21. EARNINGS PER SHARE

	1 January- 30 June 2017	1 April- 30 June 2017	1 January- 30 June 2016	1 April- 30 June 2016
Earning per share				
Weighted average number of shares	790,000,000	790,000,000	790,000,000	790,000,000
Net profit for the period	24,713,429	13,702,672	23,908,522	11,339,614
Earnings per share	0.0313	0.0173	0.0303	0.0144

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REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

22. FINANCIAL INSTRUMENTS

Financial Liabilities

	30 June 2017	31 December 2016
<u>Financial liabilities</u>		
Short term financial liabilities	3,396,347	3,397,355
<i>Short term portion of long term borrowings</i>	3,396,347	3,397,355
Long term financial liabilities	7,963,340	9,152,608
<i>Long term borrowings</i>	7,963,340	9,152,608
	<u>11,359,687</u>	<u>12,549,963</u>

Currency	Nominal interest rate	30 June 2017	
		Short term	Long term
TL	%8.00	3,396,347	7,963,340
		<u>3,396,347</u>	<u>7,963,340</u>

Currency	Nominal interest rate	31 December 2016	
		Short term	Long term
TL	%8.00	3,397,355	9,152,608
		<u>3,397,355</u>	<u>9,152,608</u>

Maturities of bank borrowings are as follows:

	30 June 2017	31 December 2016
Less than 1 year	3,396,347	3,397,355
Between 1-2 years	3,314,846	3,073,640
Between 2-3 years	2,755,752	2,780,637
Between 3-4 years	1,892,742	2,514,587
Between 4-5 years	-	783,744
	<u>11,359,687</u>	<u>12,549,963</u>

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REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 22, cash and cash equivalents and equity, comprising issued capital, reserves and retained earnings.

The Group's risk management committee reviews the capital structure of the Group collectively on a quarterly basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the Group balances its overall capital structure through the payment of dividends, new share issues and acquiring own shares, as well as the issue of new debt or the redemption of existing debt.

In addition and consistent with other entities in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

During 2017, the Group's strategy has not been change from 2016. The gearing ratios at 30 June 2017 and 31 December 2016 were as follows:

	30 June 2017	31 December 2016
Financial liabilities	11,359,687	12,549,963
Less: Cash and cash equivalents	(39,706,101)	(51,301,426)
Net debt	(28,346,414)	(38,751,463)
Total shareholders equity	1,651,993,761	1,630,195,744
Total share capital	790,000,000	790,000,000
Net debt / Total share capital ratio	-4%	-5%

b) Financial risk factors

The Group's activities expose it to a variety of financial risks including interest rate risk, liquidity risk, currency risk and credit risk. Group's risk management programme generally focuses on uncertainty in financial markets and minimizing potential negative effects on Group's financial performance.

Risk management, is conducted by a treasury department with policies approved by the board of directors. Treasury department of the Group defines and evaluates the financial risk, and by working with the operation units by using tools to decrease the risk. Board of Directors maintains generates a written procedure about foreign exchange risk, interest rate risk, credit risk, useage of non-derivative financial instruments, and evaluating excess liquidity or other various risks.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

(Amounts expressed in Turkish Lira (TL))

23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.1) Credit risk management

Details of credit risk by class of financial instruments

	Receivables				Deposits at Banks	Derivatives	Other
	Trade Receivables		Other Receivables				
<u>30 June 2017</u>	<u>Related Parties</u>	<u>Other</u>	<u>Related Parties</u>	<u>Other</u>			
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	-	47,167,133	-	-	39,706,101	-	-
- Secured portion of the maximum credit risk by guarantees (**)	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	-	41,517,889	-	-	39,706,101	-	-
B. Net book value of financial assets that are past due but not impaired	-	5,649,244	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Past due (gross amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-	-

(*)The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(**)Guarantees consist of guarantee letters, guarantee notes and mortgages obtained from the customers.

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.1) Credit risk management (cont'd)

Details of credit risk by class of financial instruments

31 December 2016	Receivables		Receivables		Deposits at Banks	Derivatives	Other
	Trade Receivables	Other Receivables	Trade Receivables	Other Receivables			
	Related Parties	Other	Related Parties	Other			
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	-	36,889,580	-	-	51,301,426	-	-
- Secured portion of the maximum credit risk by guarantees (**)	-	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	-	33,959,725	-	-	51,301,426	-	-
B. Net book value of financial assets that are past due but not impaired	-	2,929,855	-	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-	-	-
- Past due (gross amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-	-	-

(*)The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(**)Guarantees consist of guarantee letters, guarantee notes and mortgages obtained from the customers.

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.1) Credit risk management (cont'd)

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Group, aiming to decrease credit risk by transacting only with parties who has credit assurance and where possible, obtaining sufficient gurantee. Credit risks which the Group is exposed and credibility of customers are being monitored regularly. Credit risk is being controlled by the risk management committee through limits which are determined and annually controlled by the Board of Directors.

b.2) Liquidity risk management

The ultimate responsibility for liquidity risk management belongs to the Board of Directors. The Board of Directors has established a liquidity risk management in order to meet short, mid and long term financing, and liquidity requirements. The Group manages liquidity risk by monitoring expected and actual cash flows closely, and by maintaining sustainability of sufficient borrowing funds through matching maturities of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows

Liquidity risk table

30 June 2017

<u>Contractual Terms</u>	<u>Carrying value</u>	<u>Total Contractual</u>	<u>Less than 3</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>5 years +</u>
		<u>Cash Outflows</u>				
		<u>(I+II+III+IV)</u>				
Non-derivative						
financials liabilities						
Bank loans	11,359,687	13,723,491	895,010	2,685,031	10,143,450	-
Trade payables	12,237,272	12,237,272	12,237,272	-	-	-
Total liabilities	23,596,959	25,960,763	13,132,282	2,685,031	10,143,450	-

31 December 2016

<u>Contractual Terms</u>	<u>Carrying value</u>	<u>Total Contractual</u>	<u>Less than 3</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>5 years +</u>
		<u>Cash Outflows</u>				
		<u>(I+II+III+IV)</u>				
Non-derivative						
financials liabilities						
Bank loans	12,549,963	15,513,512	895,010	2,685,031	11,933,471	-
Trade payables	534,202	534,202	534,202	-	-	-
Total liabilities	13,084,165	16,047,714	1,429,212	2,685,031	11,933,471	-

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.3) Market risk management

During the current period, any change to either exposed risks or management and measurement methods of these risks, was not happened compared to the previous year.

b.3.1) Foreign currency risk management

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting period are as follows:

	TL Amount	30 June 2017		
		US Dollar	Euro	GBP
1. Trade Receivables	634,785	181,000	-	-
2a. Monetary Financial Assets	117,899	32,439	-	910
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	752,684	213,439	-	910
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	752,684	213,439	-	910
10. Trade Payable	24,784	433	5,812	-
11. Financial Liabilities	-	-	-	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-Monetary Other Liabilities	1,105	315	-	-
13. CURRENT LIABILITIES	25,889	748	5,812	-
14. Trade Payable	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	25,889	748	5,812	-
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	-	-	-	-
19.a Active of balance sheet derivative (foreign currency)	-	-	-	-
19.b Passive of balance sheet derivative (foreign currency)	-	-	-	-
20. Net Foreign Currency Assets/Liabilities Position	726,795	212,691	(5,812)	910
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-12a-14-16a)	727,900	213,006	(5,812)	910

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.3.1) Foreign currency risk management (cont'd)

	TL Amount	31 December 2016		
		US Dollar	Euro	GBP
1. Trade Receivables	742,674	211,035	-	-
2a. Monetary Financial Assets	340,483	96,750	-	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	1,083,157	307,785	-	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	1,083,157	307,785	-	-
10. Trade Payable	-	-	-	-
11. Financial Liabilities	-	-	-	-
12a. Monetary Other Liabilities	1,109	315	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-
13. CURRENT LIABILITIES	1,109	315	-	-
14. Trade Payable	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-
17. NON-CURRENT LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	1,109	315	-	-
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	-	-	-	-
19.a Active of balance sheet derivative (foreign currency)	-	-	-	-
19.b Passive of balance sheet derivative (foreign currency)	-	-	-	-
20. Net Foreign Currency Assets/Liabilities Position	1,082,048	307,470	-	-
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-12a-14-16a)	1,082,048	307,470	-	-

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b.3.2) Interest rate risk management

The Group borrow funds at fixed interest rates. Such risks are managed inherently by netting off the interest-bearing assets and liabilities.

Interest rate sensitivity analysis

The details of the interest-bearing financial assets of the Group are as follows:

Interest Position Table

	<u>30 June 2017</u>	<u>31 December 2016</u>
Fixed interest rate instruments		
Financial liabilities	11,359,687	12,549,963

24. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)

	<u>Loans and receivables</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying value</u>	<u>Note</u>
30 June 2017				
<u>Financial assets</u>				
Cash and cash equivalents	39,706,101	-	39,706,101	26
Trade receivables	47,167,133	-	47,167,133	5
<u>Financial liabilities</u>				
Borrowings	-	11,359,687	11,359,687	22
Trade payables	-	11,966,912	11,966,912	5
Due to related parties	-	270,360	270,360	4
31 December 2016				
<u>Financial assets</u>				
Cash and cash equivalents	51,301,426	-	51,301,426	26
Trade receivables	36,889,580	-	36,889,580	5
<u>Financial liabilities</u>				
Borrowings	-	12,549,963	12,549,963	22
Trade payables	-	470,938	470,938	5
Due to related parties	-	63,264	63,264	4

(*)The Group management considers the carrying amount of financial assets approximate their fair values.

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24. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES) (cont'd)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

25. EVENTS AFTER THE REPORTING PERIOD

a) As of 12 July 2017, within the registered capital ceiling of TL 1,500,000,000, the Company applied to the CMB to increase its share capital from TL 790,000,000 to TL 820,000,000 by meeting the increase from 2016 profit.

b) The Company made an application to the CMB on 26 July 2017 for the borrowing instrument to be issued within one year.

26. NOTES ON STATEMENT OF CASH FLOWS

	30 June 2017	31 December 2016
Banks	39,651,606	51,134,642
Demand deposits	645,289	844,566
Time deposits	39,006,317	50,290,076
Other liquid assets (*)	54,495	166,784
Cash and cash equivalents in the statement of financial position	39,706,101	51,301,426
<i>Less: Interest income accruals on cash equivalents</i>	<i>(331,777)</i>	<i>(513,740)</i>
Cash and cash equivalents in the statement of cash flows	39,374,324	50,787,686

(*) As at 30 June 2017 and 31 December 2016, other liquid assets consist of credit card receivables from sales of residential units of Bizimtepe Aydos and Erzurum Şehristan projects.

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26. NOTES ON STATEMENT OF CASH FLOWS (cont'd)

As at 30 June 2017 and 31 December 2016, the details of time deposits at banks are as follows:

30 June 2017	Amount	Interest rate	Maturity
Time deposits			
TL	5,700	8.25%	3 July 2017
TL	1,331,155	9.75%	3 July 2017
TL	337,686	10.00%	3 July 2017
TL	1,500,473	11.5%	20 July 2017
TL	2,044,507	14.25%	6 July 2017
TL	10,658,905	14.5%	1-13 July 2017
TL	15,714,680	14.6%	17-20 July 2017
TL	3,561,632	14.95%	27 July 2017
TL	3,851,579	14.99%	27 August 2017
	39,006,317		
31 December 2016			
Time deposits			
TL	6,669,261	8%	2 January 2017
TL	19,033	8.25%	2 January 2017
TL	8,010,520	8.75%	12-19 January 2017
TL	4,093,068	10.75%	19 January 2017
TL	21,306,617	10.80%	5-19 January 2017
TL	10,191,577	11%	5-19 January 2017
	50,290,076		

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 23.

APPENDIX I-CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO

The information contained herein, is summary information derived from the financial statements according to “Communiqué on Financial Reporting in Capital Market” of the CMB and prepared for purposes of the controlling the compliance with portfolio limitations as set out in the CMB’s III-48.1 communique, “Communiqué on Principles Regarding Real Estate Investment Trusts”, published in the Official Gazette numbered 28660. In addition, as indicated in Note 2, information in the financial statement of the Group is unconsolidated data due to the Company has no subsidiary or joint venture.

As at 30 June 2017, the Company complied with the restrictions that stated on the paragraph “a, b, c, ç and d” of 24th, 22nd and 38th articles of the CMB’s communique no III-48.1, “Communiqué on Principles Regarding Real Estate Investment Trusts”, published in the Official Gazette numbered 28660. The ratios related with these restrictions are shown below (31 December 2016: There is no incompliance).

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APPENDIX I-CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO (cont'd)

	Financial statement primary account items	Regulations	30 June 2017(TL)	31 December 2016 (TL)
A	Money and capital market instruments	Serial: III-48.1, Article 24/(b)	39,706,101	51,301,426
B	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article24/(a)	1,735,213,937	1,658,628,593
C	Subsidiaries	Serial: III-48.1, Article24/(b)	--	--
	Due from related parties (non-trade)	Serial: III-48.1, Article23/(f)	--	--
	Other assets		140,537,301	144,909,956
D	Total Assets	Serial: III-48.1, Article3/(k)	1,915,457,339	1,839,587,286
E	Loans and borrowings	Serial: III-48.1, Article31	11,359,687	12,549,963
F	Other financial liabilities	Serial: III-48.1, Article31	--	--
G	Financial leasing obligations	Serial: III-48.1, Article31	--	--
H	Due to related parties (non-trade)	Serial: III-48.1, Article23/(f)	--	--
I	Equity	Serial: III-48.1, Article31	1,651,993,761	1,630,195,744
	Other liabilities		252,103,891	212,094,268
D	Total liabilities and equity	Serial: III-48.1, Article3/(k)	1,915,457,339	1,839,587,286
	Other financial information		30 June 2017(TL)	31 December 2016 (TL)
A1	Portion of money and capital markets instruments for real estate payments of 3 years	Serial: III-48.1, Article24/(b)	--	--
A2	Time deposit/ demand deposit/ TL / foreign currency	Serial: III-48.1, Article24/(b)	39,651,606	51,134,642
A3	Foreign capital market instruments	Serial: III-48.1, Article24/(d)	--	--
B1	Foreign real estates, based on real estates projects, rights for real estates	Serial: III-48.1, Article24/(d)	--	--
B2	Idle land	Serial: III-48.1, Article24/(c)	--	--
C1	Foreign Subsidiaries	Serial: III-48.1, Article24/(d)	--	--
C2	Investment in the operating company	Serial: III-48.1, Article28	--	--
J	Non-cash loans	Serial: III-48.1, Article31	199,131,946	180,108,347
K	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article22/(e)	--	--
L	Total investments of money and capital market instruments at one company	Serial: III-48.1, ArticleIII-48.1. Md.22/(l)	--	--

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APPENDIX I-CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO (cont'd)

Portfolio Restrictions	Regulations	Calculation	Min/Max Rate	30 June 2017(TL)	31 December 2016 (TL)
1 Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article22/(e)	K/D	Maximum %10	--	--
2 Real estates, based on real estates projects, rights for real estates	Serial: III-48.1, Article24/(a),(b)	(B+A1)/D	Minimum %51	90.59%	90.16%
3 Money and capital market instruments and associates	Serial: III-48.1, Article24/(b)	(A+C-A1)/D	Maximum %49	2.07%	2.79%
4 Foreign real estates, based on real estates projects, rights for real estate,associates, capital market instruments	Serial: III-48.1, Article24/(d)	(A3+B1+C1)/D	Maximum %49	--	--
5 Idle Land	Serial: III-48.1, Article24/(c)	B2/D	Maximum %20	--	--
6 Investment in operating company	Serial: III-48.1, Article28	C2/D	Maximum %10	--	--
7 Borrowing Limit	Serial: III-48.1, Article31	(E+F+G+H+J)/İ	Maximum %500	13%	12%
8 Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article24/(b)	(A2-A1)/D	Maximum %10	2.07%	2.78%
9 Total investments of money and capital market instruments at one company	Serial: III-48.1, ArticleSeri: III-48.1. Md. 22/(l)	L/D	Maximum %10	--	--