

Halk Gayrimenkul Yatırım Ortaklığı AŞ

Financial Statements
As at and For Year Ended
31 December 2015 with Independent Auditors'
Report Thereon

*“Convenience Translation to English of
Financial Statements
and Notes To The Financial Statements
Originally Issued In Turkish”*

12 February 2016

*This report includes 2 pages of independent
auditor’s report and 60 pages of financial
statements and notes to the financial
statements*

Halk Gayrimenkul Yatırım Ortaklığı AŞ

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Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish to English

To the Board of Directors of Halk Gayrimenkul Yatırım Ortaklığı

Report on the Financial Statements

We have audited the accompanying financial statements of Halk Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company") which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Independent Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards.

Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 12 February 2016.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2015, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Alper Güvenç, SMMM
Partner

12 February 2016
İstanbul, Türkiye

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HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
AS AT 31 DECEMBER 2015
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated

ASSETS	Notes	Audited	Audited
		31 December 2015	31 December 2014
CURRENT ASSETS		144,495,869	183,420,241
Cash and cash equivalents	5	16,436,458	8,658,261
Financial investments	6	--	37,928,769
Trade receivables	7	10,076,498	11,984,216
- Related parties	4	4,649,752	--
- Other		5,426,746	11,984,216
Inventories	8	97,964,900	103,090,737
Prepaid expenses	16	146,252	244,912
- Related parties	4	52,219	192,728
- Other		94,033	52,184
Current tax assets		79,076	1,094,638
Other current assets	16	19,792,685	20,418,708
-Related parties	4	214,083	--
-Other current assets		19,578,602	20,418,708
NON-CURRENT ASSETS		830,219,908	744,986,425
Trade receivables	7	19,033,739	317,535
Investment property	10	789,101,181	713,531,361
Prepaid expenses	16	7,547,569	19,616,841
Tangible assets	11	587,723	915,395
Intangible assets	12	530,242	703,933
Other non-current assets	16	13,419,454	9,901,360
TOTAL ASSETS		974,715,777	928,406,666
LIABILITIES			
SHORT-TERM LIABILITIES		52,951,759	87,142,074
Current portion of long term borrowings	13	3,396,983	3,397,361
- Borrowings from related parties	4	3,396,983	3,397,361
Trade payables	7	1,841,360	606,561
- Due to related parties	4	51,172	126,242
- Due to non-related parties	7	1,790,188	480,319
Short term portions of employee benefits	15	719,224	676,601
Deferred income	9	44,070,843	76,802,390
Other short-term liabilities		2,923,349	5,659,161
LONG-TERM LIABILITIES		42,315,152	13,470,697
Long term borrowings	13	11,349,972	13,340,555
- Borrowings from related parties	4	11,349,972	13,340,555
Long term portions of employee benefits	15	151,665	130,142
Deferred income	9	30,813,515	--
EQUITY	17	879,448,866	827,793,895
Share capital		743,000,000	697,900,000
Own shares acquired		(20,946,784)	(19,675,318)
Share premium		49,945,096	49,945,096
Other comprehensive income that will never be reclassified to profit or loss		3,446	(19,660)
- Defined benefit plan actuarial gains / (losses)		3,446	(19,660)
Restricted reserves		32,833,600	28,363,063
Retained earnings		17,189,603	9,933,568
Net profit for the period		57,423,905	61,347,146
TOTAL LIABILITIES AND EQUITY		974,715,777	928,406,666

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

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

	<i>Notes</i>	Audited 1 January – 31 December 2015	Audited 1 January – 31 December 2014
Revenue	18	99,656,111	86,611,117
Cost of sales	18	(31,525,734)	(14,649,589)
Gross profit		68,130,377	71,961,528
Administrative expenses	19	(8,879,352)	(10,924,043)
Other operating income	20	667,142	9,365,000
Other operating expenses	20	(871,135)	(7,271,997)
Operating profit		59,047,032	63,130,488
Financial expenses	21	(1,623,127)	(1,783,342)
Profit before tax		57,423,905	61,347,146
Tax income / (expense)	22	--	--
NET PROFIT FOR THE PERIOD		57,423,905	61,347,146
Earnings per share	23	0.07729	0.08256
NET PROFIT FOR THE PERIOD		57,423,905	61,347,146
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income non- reclassified to profit or loss</i>		23,106	(16,268)
- <i>Defined benefit plan actuarial gains (losses)</i>		23,106	(16,268)
<i>Other comprehensive income reclassified to profit or loss</i>		--	209,146
- <i>Net change in fair value of available-for-sale financial assets</i>		--	209,146
Other comprehensive income		23,106	192,878
TOTAL COMPREHENSIVE INCOME		57,447,011	61,540,024

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Notes	Share capital	Own shares acquired	Share premiums	Other comprehensive income that are or may be reclassified to profit or loss	Other comprehensive income that will never be reclassified to profit or loss	Restricted reserves	Accumulated profit		Total
					Net loss in fair value of available-for-sale financial assets	Defined benefit plan actuarial gains (losses)		Retained earnings	Net profit for the period	
Balance at 1 January 2014	17	673,638,704	(18,991,341)	49,945,096	(209,146)	(3,392)	2,074,167	31,211,098	31,510,827	769,176,013
Transfer to reserves		--	--	--	--	--	26,288,896	5,221,931	(31,510,827)	--
Total comprehensive income		--	--	--	209,146	(16,268)	--	--	61,347,146	61,540,024
Capital increase	17	24,261,296	(683,977)	--	--	--	--	(23,577,319)	--	--
Dividend payment		--	--	--	--	--	--	(2,922,142)	--	(2,922,142)
Balance at 31 December 2014	17	697,900,000	(19,675,318)	49,945,096	--	(19,660)	28,363,063	9,933,568	61,347,146	827,793,895
Balance at 1 January 2015	17	697,900,000	(19,675,318)	49,945,096	--	(19,660)	28,363,063	9,933,568	61,347,146	827,793,895
Transfer to reserves		--	--	--	--	--	4,470,537	56,876,609	(61,347,146)	--
Total comprehensive income		--	--	--	--	23,106	--	--	57,423,905	57,447,011
Capital increase	17	45,100,000	(1,271,466)	--	--	--	--	(43,828,534)	--	--
Dividend payment		--	--	--	--	--	--	(5,792,040)	--	(5,792,040)
Balance as at 31 December 2015	17	743,000,000	(20,946,784)	49,945,096	--	3,446	32,833,600	17,189,603	57,423,905	879,448,866

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015***(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)*

	<i>Notes</i>	Audited	Audited
		1 January – 31 December 2015	1 January – 31 December 2014
<u>Cash flows from operating activities</u>			
Net profit for the period		57,423,905	61,347,146
Adjustments related with net profit reconciliation:			
Adjustments to the depreciation expense of investment property	<i>10</i>	2,709,746	1,160,620
Adjustments to the depreciation expense of tangible assets	<i>11</i>	344,617	487,186
Adjustments to the amortization expense of intangible assets	<i>12</i>	212,409	8,883
Profit or loss sales of tangible assets		89,867	626,540
Gain or loss from sales of tangible asset		--	(323)
Adjustments to the provisions		89,867	626,540
Adjustments to the interest income and interest expense		1,052,783	(11,756,762)
Adjustments to the unrealized foreign currency conversion		203,993	(2,093,003)
Adjustments to the fair value loss / profit		(998,008)	(1,280,977)
Changes in working capital:			
Adjustments to the increase/decrease in inventory		5,125,837	(58,121,267)
Adjustments to the increase/decrease in trade receivables		(17,012,479)	2,272,237
Adjustments to the increase/decrease in prepaid expenses		12,167,932	1,398,165
Adjustments to the increase/decrease in other current assets		(1,876,509)	(15,510,012)
Adjustments to the increase/decrease in trade payables		1,234,799	(1,775,345)
Adjustments to the increase/decrease in deferred income		(1,918,032)	(19,398,941)
Adjustments to the increase/decrease in other liabilities		(2,712,705)	4,357,801
Proceeds from sale of shares or debt instruments of a business organization or funds		38,979,163	180,028,680
Proceeds from acquisition of shares or debt instruments of a business organization or funds		--	(110,664,716)
Cash flows related to the operating activities			
Interest received		527,553	12,337,576
Dividend received		--	15,162
Other cash outflows		(78,107)	(542,050)
Net cash provided from operating activities		95,476,764	42,896,600
<u>Cash flows used in investing activities</u>			
Proceed from sale of tangible assets		6,162	1,544
Cash payments for acquisition of tangible assets	<i>11</i>	(23,107)	(306,342)
Cash payments for acquisition of intangible assets	<i>12</i>	(38,718)	(489,317)
Cash payments for acquisition of investment property	<i>10</i>	(78,279,566)	(98,946,458)
Cash inflow from the sale of investment property		--	--
Net cash used in investment activities		(78,335,229)	(99,740,573)

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)
(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

	<i>Notes</i>	Audited	Audited
		1 January – 31 December 2015	1 January – 31 December 2014
<u>Cash flows from financing activities</u>			
Cash received from issuing own shares		--	--
Expenses related to new shares issues		--	--
Public offering expenses		--	--
Interest paid		(1,518,244)	(1,786,864)
Repayment of borrowings		(2,095,845)	(1,796,223)
Dividend paid	17	(5,792,040)	(2,922,142)
Net cash used in financing activities		(9,406,129)	(6,505,229)
Net increase / (decrease) in cash and cash equivalents before the effect of foreign currency conversion adjustments		7,735,406	(63,349,202)
The effect of foreign currency conversion adjustments in cash and cash equivalents		--	104,940
Net increase / (decrease) in cash and cash equivalents		7,735,406	(63,244,262)
Cash and cash equivalents at the beginning		8,658,261	71,902,523
Cash and cash equivalents at the period end	5	16,393,667	8,658,261

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

1. REPORTING ENTITY

Halk Gayrimenkul Yatırım Ortaklığı AŞ’s (the “Company”) main activity is to invest in properties, property projects and property related capital market instruments. In accordance with the relevant article of the Capital Markets Board of Turkey’s (“CMB”) Communiqué on the Principles of Real Estate Investment Trusts, the main objective of the Company is to invest in properties, property projects and property related capital market instruments.

Basis of operations of the Company are consistent with the regulatory requirements of CMB on the Principles of Real Estate Investment Trusts. Investment property portfolio of the Company consists of lands and rental properties which are used as bank branches and head office. The Company obtained the authorization to operate by CMB’s document dated 24 September 2010 and numbered 9546 and registered by CMB.

The Company was established on 18 October 2010. Registered capital ceiling of the Company is TL 1,500,000,000. Paid in capital of the Company is TL 743,000,000, 196,217,979 of the total paid in capital was paid in cash whereas TL 466,282,021 of the total paid in capital was paid in kind and TL 80,500,000 as paid bonus issue.

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

As at 31 December 2015, the number of personnel employed in the Company is 39 (31 December 2014: 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 CMB by 29 August 2012 for the purpose of initial public offering of the increasing amount of B group of shares TL 185,500,000 notional amount which is increased from TL 477,000,000 issued capital of the Company to TL 662,500,000 within TL 1,500,000,000 registered capital ceiling. Application was approved in accordance with the decision promulgated by CMB’s numbered 4/97 on 8 February 2013. As at 13-15 February 2013 there has been an initial public offering of B group shares of TL 185,500,000 notional amount by restricting the existent shareholders for purchasing the new shares. After the collection of the demand the Company’s shares started to trade in Borsa İstanbul at 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 share capital.

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis of presentation

2.1.1. Statement of compliance

The accompanying financial statements and explanatory notes have been prepared in accordance with Turkish Accounting Standards (“TAS”) promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) as set out in the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) of the Capital Markets Board of Turkey (“CMB”), which is published on 13 June 2013 at the Official Gazette numbered 28676. TAS included Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

As at 31 December 2015, the financial statements of the Company have been approved by the Board of Directors of the Company on 12 February 2016.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries.

2.1.2. Basis of presentation of financial statements

The accompanying financial statements have been prepared in accordance with the “Announcement on Financial Statements and Footnote Formats” of CMB dated 7 June 2013.

2.1.3. Functional and presentation currency

These financial statements are presented in Turkish Lira (“TL”), which is the Company’s functional currency. All financial information is presented in TL unless otherwise stated.

2.1.4. Changes in accounting policies

The accounting policies applied for the year ended 31 December 2015 have been applied consistently for the year ended 31 December 2014 in preparing these financial statements. Changes in accounting policies are applied retrospectively and restating the prior year financial statements. There is no change in the accounting policy.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.1. Basis of presentation (continued)

2.1.5. Control of compliance with restrictions on the investment portfolio

As at 31 December 2015, the information in “Control of compliance with restrictions on the investment portfolio” note are summary information prepared from financial statements which are presented within the framework Communiqué II.14.1 in accordance with the accounting and reporting principles accepted by the CMB and published in the Official Gazette dated 28 May 2013 numbered 28660, numbered III-48.1 “Communiqué on Real Estate Investment Basis” related to control of compliance with restrictions on the investment portfolio.

“Control of compliance with restrictions on the investment portfolio” is prepared from accompanying financial statements.

2.2. Changes in accounting estimates and errors

Changes in accounting estimates, if only for one period, are made in the current period, if it is related to future periods, by covering future periods, are applied prospectively. There is no change in estimates in the current period. Material errors are corrected, retrospectively; restating the prior year financial statements. There is no material errors discovered in the current period.

2.3. New standards and interpretations implemented and not yet adopted as at 31 December 2015

2.3.1. The standards and interpretations adopted in 2015

The Company has applied all the standards and interpretations issued by the POA which are effective as at 31 December 2015.

2.3.2. Standards and interpretations not yet issued as at 31 December 2015

As at and for the year ended 31 December 2015, standards not yet effective and not applied enclosed financial statements, updates about standards and interpretations are available and the important standards for the company from these updates are as follows:

Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2015

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (“FVO”) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on the financial position or performance of the Company.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3.2. Standards and interpretations not yet issued as at 31 December 2015 (continued)

Clarification of acceptable methods of depreciation and amortization (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 “Property, Plant and Equipment” explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 “Intangible Assets” introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Accounting for acquisition of interests in joint operations (Amendments to TFRS 11)

The amendments clarify whether TFRS 3 “Business Combinations” applies when an entity acquires an interest in a joint operation that meets that standard’s definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

TFRS 14 Regulatory Deferral Accounts

International Accounting Standards Board (IASB) has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to International Financial Reporting Standards (“IFRS”) for rate regulated entities. The standard permits first time adopters of TFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 28)

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a “business” under TFRS 3 “Business Combinations”. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3.2. Standards and interpretations not yet issued as at 31 December 2015 (continued)

Disclosure Initiative (Amendments to TAS 1)

The narrow-focus amendments to TAS 1 “Presentation of Financial Statements” clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: Materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Improvements to TFRSs

The IASB issued Annual Improvements to IFRSs - 2012–2014 Cycle. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Annual Improvements to TFRSs – 2012–2014 Cycle

TFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”

The amendments clarify the requirements of TFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

TFRS 7 “Financial Instruments: Disclosures”

TFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. TFRS 7 is also amended to clarify that the additional disclosures required by “Disclosures: Offsetting Financial Assets and Financial Liabilities” (Amendments to TFRS 7).

TAS 19 Employee Benefits

TAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

TAS 34 Interim Financial Reporting

TAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.3.2. Standards and interpretations not yet issued as at 31 December 2015 (continued)

The new standards, amendments and interpretations that are issued by IASB but not issued by POA

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 - (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. This standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TMS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 15 Revenue from Contracts with customers

The standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.4. Summary of significant accounting policies

2.4.1. Accounting for joint operations

The Company has signed a joint operation agreement with Vakıf Gayrimenkul Yatırım Ortaklığı AŞ for developing real estate projects.

The Company as a joint operator recognize its share in assets, liabilities, revenues and expenses interest in the joint operation in accordance with the TFRS 11 “Joint Arrangements”.

2.4.2. Revenue and expenses

Revenue is recognised when there is a possibility of obtaining economic benefit and when it is possible to measure the revenue in a reliable manner. In order to recognise revenue below mentioned conditions should have been formed.

Rental income from investment property

Rental income from investment properties are recognised on accrual basis. Revenue is recognised when there is a possibility of economic benefits will flow to the entity and when it is possible to measure the revenue reliably. The rental income in which important portion of owner’s risks and rewards are transferred to the leaseholder is classified as financial lease. All other leases are classified as operating leases.

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 the way of “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 revenue as deferred income and share of construction entity as liability to contractor. 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 into the comprehensive income statement.

Revenue

Revenues consist of rental income from real estate, real estate sales revenue and income from capital market instruments. Rental income recorded on an accrual basis and the income from capital market instruments recorded as in accordance with the accounting policies disclosed in Note 2.4.8.

Sales income

Revenue is recognised when the significant risks and rewards of ownership of the investment property are transferred to the buyer and the amount is reliably measured. Revenue is recognised when and only when the Company transfers the significant risks and rewards of ownership of the goods to the buyer, 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.

Revenue and cost of sales are recognised once the sales contracts of the projects are in line with the above stated criteria.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.4 Summary of significant accounting policies (continued)

2.4.2. Revenue and expenses (continued)

Interest income

Interest income is recognised in profit or loss on accrual basis.

Other income and expense

Other income and expense is recognised in profit or loss on accrual basis.

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. Finance income earned from project loans of which has not been used as an investment for a temporary period are net off with the borrowing costs. All other borrowing costs are recognised in profit or loss in the period which they are incurred.

2.4.3. Investment property

Investment property are those which are held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost less accumulated depreciation and impairment, if any.

Depreciation is recognised on a straight-line basis over the useful lives of the investment property. Except land, the expected useful life of investment property is 50 years.

Since the useful life of land is indefinite, it is not subject to depreciation.

Expenditures incurred to replace a component of investment property that is accounted for separately, including major inspection and overhaul costs, are capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of investment property. All other expenditures are recognised in profit or loss as expense as incurred.

Investment property is recognised when it is probable that the future economic benefits that are associated with them will flow to the Company and the cost of them can be measured reliably.

2.4.4. Inventories

Inventories are measured at the lower of cost and net realizable value. As at 31 December 2015, cost components included in the inventory consist of the land cost which is held for sale of the residence project by the Company.

The Company enters into revenue sharing agreements with construction entities in order to increase sales proceeds from the sales of vacant lands. These lands which subject to revenue sharing agreements (“LSRSA”) are accounted at cost until the sale is recognised. Sale is recognised when risk and rewards of ownership of land is transferred to the ultimate customers (customers of the construction entities) and when the sales proceeds are reliably determinable.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.3 Summary of significant accounting policies *(continued)*

2.4.5. Tangible assets

All tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation is recognised on a straight-line basis over the useful lives of the property, plant and equipment from the date of acquisition. The expected useful life of furniture and fixtures is 5 years. The useful life of leasehold improvements, accounted under tangible assets, is equal to life of rent agreements.

Subsequent expenditure

Expenditures incurred to replace a component of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognised in profit or loss as expense as incurred. The gain or loss arising on the disposal or retirement of an item of tangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.4.6. Intangible assets

All intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization

Amortization is recognised on a straight-line basis over the useful lives of intangible assets. The expected useful life of licence rights is between 4-10 years.

2.4.7. Impairment of assets

The Company determines whether there are any indicators for impairment at every reporting date. In the case of an indicator, the recoverable value of that asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.4. Summary of significant accounting policies (continued)

2.4.8. Financial instruments

The Company has the following financial assets; cash and cash equivalents, financial investments and trade receivables; and has the following financial liabilities; loans and borrowings and trade payables.

i) Non-derivative financial assets

The Company initially recognises the financial assets on the date they are originated.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below: The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial asset that is created or retained by the Company is recognized as a separate asset or liability.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash, bank deposits with maturity periods of less than three-months and other highly liquid short-term investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. The carrying values of these assets are close to their fair values.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are comprised of bank bonds and equity securities. The carrying amounts of financial assets reflect their fair values.

Available for sale financial assets

Available for sale financial assets are the financial assets other than assets held for trading purposes, financial assets at fair value through profit or loss, held to maturity financial assets and loans and receivables.

Available-for-sale financial assets are subsequently measured at their fair values. Unrecognised gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in "other comprehensive income that are and may be reclassified to profit or loss" under other comprehensive income. In case of sales, the realised gain or losses are recognised directly in the statement of operations.

Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized using effective interest method.

Trade and other receivables

The Company initially recognises trade and other receivables on the date that they are originated and then discounted at the market rate of interest at the reporting date. Specific allowances are identified as being impaired based on regular reviews of outstanding balances to reduce receivables to their recoverable amounts.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.4. Summary of significant accounting policies *(continued)*

2.4.8. Financial instruments *(continued)*

ii) Non-derivative financial liabilities

Loans and borrowings

Loans and borrowings are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. The Company derecognizes a financial liability when its contractual liabilities are discharged, cancelled or expire.

Trade and other payables

Trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

iii) Paid-in capital

Ordinary shares

Ordinary shares are classified as paid in capital. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2.4.9. Offsetting

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

2.4.10. Effects of changes in exchange rates

The financial statements of the Company is presented in the currency of the primary economic environment in which the entity operates. For the purpose of the financial statements, the results and financial position of the Company is expressed in TRY, which is the functional currency of the Company, and the presentation currency for the financial statements.

Income and expenses from transactions in foreign currencies have been translated into Turkish Lira (“TL”) at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from conversion of foreign currency items have been included in the income statement.

2.4.11. Earnings per share

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. In Turkey, companies to existing shareholders from retained earnings and shareholders’ equity, shares distributing shares (“bonus shares”) may increase their capital. In case of calculation of earnings per share, this export of bonus share is accepted as issued shares. Therefore average of weighted number of shares used in calculation of earnings per share is provided by applying issued of bonus share retrospectively.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.4. Summary of significant accounting policies *(continued)*

2.4.12. Subsequent events

Subsequent events represent the events that occur against or on behalf of the Company between the reporting date and the date when reporting was authorised for the issue. There are two types of subsequent events:

- those that provide evidence of conditions that existed as at reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If there is evidence of such events as of reporting date or if such events occur after reporting date and if adjustments are necessary, the Company’s financial statements are adjusted according to the new situation. The Company discloses the post-balance sheet events that are not adjusting events but material.

2.4.13. Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present implicit or legal obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the notes.

If the inflow of economic benefits is probable, contingent assets are disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur, such asset and income statement effect are recognised in the financial statements at the relevant period that income change effect occurs.

2.4.14. Related parties

Shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Transactions with the related parties consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.4 Summary of significant accounting policies (continued)

2.4.15. Segment reporting

The Company operates solely as real estate investments trust therefore segment information is not presented.

2.4.16. Discontinued operations

None.

2.4.17. Government grants and incentives

As disclosed in Note 2.4.18, the Company which operates as a real estate investment trust, is exempt from corporate tax.

2.4.18. Taxation

Corporate income tax

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 New 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 temporary Article (1) of the New 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 New 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 New Corporate Tax Law, real estate investment company earnings, regardless of the fact they are distributed or not, will be subject to 0% withholding.

Deferred tax

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

2.4.19. Employee benefits / reserve for employee severance indemnity

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company.

The provision for employee severance indemnity has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

2.4.20. Statement of cash flows

The Company presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new condition.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5. Significant accounting estimations, presumption and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant accounting estimates used are described in the following notes:

Note 10 Investment property

3. JOINT OPERATIONS

As at 31 December 2015 and 31 December 2014, voting right of the Company in the joint operation is as follows:

Voting right in the joint operation	31 December 2015	31 December 2014
Halk GYO-Vakıf GYO Adi Ortaklığı	50.0%	50.0%

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 right. The Company has signed a joint operation agreement with Vakıf Gayrimenkul Yatırım Ortaklığı AŞ for developing real estate projects.

As at 31 December 2015 and 31 December 2014, the Company’s share in financial statements of the Halk GYO-Vakıf GYO Adi Ortaklığı is as follows:

	31 December 2015	31 December 2014
Non-current assets	20,707,816	9,901,360
Current assets	72,250,814	60,162,805
Short-term liabilities	(630,357)	(369)
Long-term liabilities	(32,939,539)	--
Net assets	59,388,734	70,063,796
	1 January –	1 January –
	31 December 2015	31 December 2014
Income	--	65,216
Expenses	--	--
Net profit	--	65,216

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***4. RELATED PARTY DISCLOSURES****4.1. Due from / to related parties**

	31 December 2015	31 December 2014
<i>Banks-Demand deposits</i>		
Halkbank	391,196	424,071
<i>Banks-Time deposits</i>		
Halkbank	15,243,274	7,902,288
<i>Banks -Other liquid assets</i>		
Halkbank	650,330	331,560
Halk Yatırım Menkul Değerler AŞ	--	218
<i>Bank Bonds-Financial investments</i>		
Halkbank	--	34,841,163
Total	16,284,800	43,499,300
<i>Due from related parties</i>	4,649,752	--
Halkbank	4,649,752	--
<i>Prepaid expenses</i>	52,219	192,728
Halk Sigorta AŞ	46,875	188,977
Halk Hayat ve Emeklilik AŞ	5,344	3,751
<i>Other current assets</i>	214,083	--
Halkbank	214,083	--
<i>Capitalization of expenses on investment properties</i>	1,013,850	42,668
Halkbank	759,939	1,875
Halk Sigorta AŞ	253,911	40,793
Total	5,929,904	235,396
<i>Financial borrowings</i>		
Halkbank –short term	3,396,983	3,397,361
Halkbank –long term	11,349,972	13,340,555
Total	14,746,955	16,737,916
<i>Due to related parties</i>		
Halk Sigorta AŞ	50,907	126,242
Halkbank AŞ	265	--
Total	51,172	126,242
<i>Short term deferred income</i>		
Halkbank	--	2,788,350
Total	--	2,788,350

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞNOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***4. RELATED PARTY DISCLOSURES (continued)****4.2. Income and expenses from related parties**

	1 January – 31 December 2015	1 January – 31 December 2014
Revenue-Rental income		
Halkbank	35,661,459	27,563,353
Halk Hayat ve Emeklilik AŞ	86,665	79,499
Halk Sigorta AŞ	86,665	79,499
Halk Faktoring AŞ	60,926	691,408
Emekli Sandığı	--	--
Halk Yatırım Menkul Değerler AŞ	--	40,372
Total	35,895,715	28,454,131
Revenue-Interest income		
Halkbank time deposit interest income	569,249	6,725,438
Halkbank financial investment interest income	942,497	5,506,663
Halk Yatırım	--	--
Halkbank	--	--
Halk Yatırım Menkul Değerler AŞ	--	102,215
Total	1,511,746	12,334,316
Revenue-Other income		
Halk Hayat ve Emeklilik AŞ	9,146	--
Halk Sigorta AŞ	1,582	--
Total	10,728	--
Financial expenses-Interest expense		
Halkbank	1,623,127	1,783,342
Total	1,623,127	1,783,342
Cost of sales-Commission expense		
Halk Yatırım Menkul Değerler AŞ	695	14,363
Halk Portföy Yönetimi AŞ	--	106,967
Total	695	121,330
Cost of sales-Other expenses		
T.Halk Bankası Spor Kulübü	--	539,835
Halk Sigorta AŞ	203,265	149,006
Halkbank	62,554	169,899
Halk Yatırım Menkul Değerler AŞ	2,500	32,869
Halk Hayat ve Emeklilik AŞ	7,646	13,986
Halk Portföy Yönetimi AŞ	--	5,348
Total	275,965	910,943

For the year ended 31 December 2015, 37% of the revenue comprised the rent and interest income from the related parties (31 December 2014: 47%).

For the year ended 31 December 2015 and 2014 interest income was generated from term deposits and interest expenses comprised at the interest expense on borrowings.

For the year ended 31 December 2015, total benefit which has been provided to Company's top executives is amounting to TL 832,223 (31 December 2014: TL 857,816).

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

5. CASH AND CASH EQUIVALENTS

As at 31 December 2015 and 31 December 2014, cash and cash equivalents are as follows:

	31 December 2015	31 December 2014
Banks-Time deposits	15,245,167	7,902,288
Banks-Demand deposits	393,560	424,195
Reverse repo	--	--
Other liquid assets ^(*)	797,731	331,778
Cash and cash equivalents in the statement of financial position	16,436,458	8,658,261
Interest income accruals on cash equivalents	(42,791)	--
Cash and cash equivalents in the statement of cash flows	16,393,667	8,658,261

(*) As at 31 December 2015 and 31 December 2014, other liquid assets consist of credit card receivables from sales of residential unit of Bakırköy Project and Eskişehir Project.

As at 31 December 2015 and 31 December 2014, the details of time deposits at banks, bank bonds and reverse repo are as follows:

31 December 2015	Amount	Nominal interest rate (%)	Maturity
<u>Time deposits</u>			
TL	5,524,976	12.75	19 January 2016
TL	3,013,623	12.75	19 January 2016
TL	2,004,192	12.75	28 January 2016
TL	1,992,336	8.00	4 January 2016
TL	1,663,460	8.00	4 January 2016
TL	735,712	8.00	4 January 2016
TL	182,066	8.00	4 January 2016
TL	121,872	9.00	4 January 2016
TL	5,037	9.00	4 January 2016
TL	1,893	9.00	4 January 2016
	15,245,167		
31 December 2014	Amount	Nominal interest rate (%)	Maturity
<u>Time deposits</u>			
TL	4,452,288	8.00	2 January 2015
TL	2,500,000	8.25	8 January 2015
TL	950,000	8.25	15 January 2015
	7,902,288		

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

6. FINANCIAL INVESTMENTS

As at 31 December 2015, the Company has not any financial investment.

As at 31 December 2014, the Company's all of the financial investments comprise of financial assets at fair value through profit or loss and available for sale financial assets, and held to maturity assets, the details of financial investments are as follows:

	Cost	Carrying amount	Maturity	Interest rate (%)
31 December 2014				
<i>Financial assets at fair value through profit or loss</i>				
Bank bonds	34,816,162	34,841,163	5 June 2015	8.49
Lease certificates	3,000,000	3,087,606	23 March 2015	9.95
Total	37,816,162	37,928,769		
Total financial investments	37,816,162	37,928,769		

7. TRADE RECEIVABLES AND TRADE PAYABLES

Trade receivables

The Company's short term trade receivables consist of notes receivable from sale of residential and rental income at Bakırköy Project, Panorama Plus Eskişehir, Bizimtepe Aydos Project and Kocaeli Şekerpinar Project respectively amounting to TL 1,297,847, TL 547,737, TL 3,558,719, TL 4,649,752 and other receivables amounting to TL 22,443 (31 December 2014: TL 8,781,572, TL 3,198,840 and TL 3,804).

The Company's long-term trade receivables consist of notes receivable from sale of residential units at Bakırköy Project and Bizimtepe Aydos Project respectively amounting to TL 15,394,330 and TL 3,639,409 (31 December 2014: Bakırköy Project TL 317,535).

Trade payables

As at 31 December 2015 and 31 December 2014, trade payables are as follows:

Short term trade payables

	31 December 2015	31 December 2014
Other trade payables	1,790,188	480,319
Trade payables to related parties (Note 4)	51,172	126,242
Total	1,841,360	606,561

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

8. INVENTORIES

As at 31 December 2015 and 31 December 2014, inventories are as follows:

Land stocks	31 December 2014		31 December 2015	
	Cost	Additions	Disposals	Cost
İstanbul Bakırköy Land – Residence Project ⁽¹⁾	20,753,802	--	(10,692,648)	10,061,154
Eskişehir- Odunpazarı Land – Residence Project ⁽²⁾	26,233,422	14,884,639	(18,526,306)	22,591,755
Sancaktepe Project ⁽³⁾	56,103,513	9,208,478	--	65,311,991
Total	103,090,737	24,093,117	(29,218,954)	97,964,900

⁽¹⁾ The Company 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 Company registered for each plot that the project takes place for construction servitude on 24 February 2014. As at 31 December 2015, 120 independent unit was sold amounting to TL 35,835,980 and cost of sales relating to these sales is amounting to TL 10,692,648 TL (31 December 2014: 92 independent unit sold amounting to TL 40,356,205 and cost of sales relating to these sales is amounting to TL 11,011,823).

The Company 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 Company'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 has been approved by relevant authorities as at 19 September 2013. As at 31 December 2015, the deed transfer process of 212 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 Company 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. As at 31 December 2015, 46 independent unit was sold amounting to TL 19,593,827 and cost of sales relating to these sales is amounting to TL 16,237,690. Block D and Block B amounting to TL 2,288,616 have been transferred to the investment property.

⁽³⁾ As at 16 October 2014, land in Sancaktepe/İstanbul was purchased amounting to TL 110,000,000 by Halk GYO-Vakıf GYO Adi Ortaklığı for real estate project. The main contractor services agreement has been signed at 22 October 2015 and the construction permit has been granted on 06 November 2015.

There is no restriction on the land stock. It was decided to develop residential project on the land.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

9. DEFERRED INCOME

As at 31 December 2015 and 31 December 2014, the details of long and short term deferred income are as follow:

	31 December 2015	31 December 2014
Deferred residential sale income ⁽¹⁾	44,070,843	55,814,040
Advances taken from subcontractors ⁽²⁾	--	18,200,000
Deferred rental income	--	2,788,350
Total short term deferred income	44,070,843	76,802,390
Deferred residential sale income ⁽³⁾	30,813,515	--
Total long term deferred income	30,813,515	--
Total deferred income	74,884,358	76,802,390

(1) Deferred residential unit sale income consist of TL 17,061,800 provided by sales of residences from LSRSA project realized on an estate located in Bakırköy and TL 21,307,582 provided by sales of residence project realized from Eskisehir-Odunpazarı Project. Deferred residential unit sale income consists of balances in according to sales on LSRSA project. Due to the contract 50.5% revenue from sales is collected by the Company. As at 31 December 2015, TL 70,962,336 sale is actualized and payment was made to subcontractor at amount progress portion. Referans Bakırköy Project consists of 254 residential and 73 commercial units. As at 31 December 2015, 288 unit has been sold amounting to TL 193.5 Million and conveyance of title has been completed for 212 residential unit amounting to TL 150.8 Million. Deferred residential unit sale income from Eskisehir-Odunpazarı Project provided by sales of residence project realized amounting to TL 5,322,415.

(2) The advances taken amount related with the project of "Land Sale of Revenue Sharing Agreement" on Bakırköy land.

(3) Total long term deferred income consist of TL 30,813,515 provided by sales of residences from Bizimtepe Aydos Project, which is on Sancaktepe land.

10. INVESTMENT PROPERTY

As at 31 December 2015 and 31 December 2014, the details of investment property are as follow:

	31 December 2015	31 December 2014
Buildings	483,406,659	324,780,865
Investment property under construction	305,694,522	388,750,496
Total	789,101,181	713,531,361

Insurance amount on investment properties as at 31 December 2015 is TL 310,434,793 (31 December 2014: TL 172,707,567).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

10. INVESTMENT PROPERTY (continued)

As at 31 December 2015, investment property movement is as follows:

Investment property	Cost at 31 December 2014	Additions	Transfers	Cost at 31 December 2015	Amortisation at 31 December 2014	Additions	Disposals	Depreciation at 31 December 2015	Net book value at 31 December 2015
İstanbul Karaköy Building	23,500,000	--	--	23,500,000	160,367	38,383	--	198,750	23,301,250
İstanbul Salıpaazarı Building	22,000,000	--	--	22,000,000	288,450	69,039	--	357,489	21,642,511
İzmir Konak Building-1	13,400,000	--	--	13,400,000	269,006	64,682	--	333,688	13,066,312
Ankara Kızılay Building	12,475,237	--	--	12,475,237	133,635	31,985	--	165,620	12,309,617
İstanbul Beyoğlu Building	12,000,000	--	--	12,000,000	55,647	13,317	--	68,964	11,931,036
İstanbul Beşiktaş Building	11,893,840	--	--	11,893,840	73,480	17,587	--	91,067	11,802,773
İstanbul Etiler Building	11,000,000	--	--	11,000,000	51,065	12,222	--	63,287	10,936,713
İstanbul Şişli Building	11,000,000	--	--	11,000,000	159,578	38,194	--	197,772	10,802,228
İzmir Konak Building-2	10,290,000	--	--	10,290,000	113,922	27,392	--	141,314	10,148,686
Ankara Başkent Building	9,541,729	--	--	9,541,729	81,326	19,465	--	100,791	9,440,938
İstanbul Bakırköy Building	9,023,500	--	--	9,023,500	78,030	18,676	--	96,706	8,926,794
Bursa Building	8,500,000	--	--	8,500,000	92,963	22,241	--	115,204	8,384,796
Ankara Bahçelievler Building 1	6,681,356	--	--	6,681,356	120,553	28,862	--	149,415	6,531,941
Kocaeli Building	6,519,193	--	--	6,519,193	57,064	13,721	--	70,785	6,448,408
İstanbul Fatih Building	6,380,000	--	--	6,380,000	96,932	23,200	--	120,132	6,259,868
İstanbul Caddebostan Building	6,300,000	--	--	6,300,000	270,675	65,084	--	335,759	5,964,241
Sakarya Adapazarı Building	5,960,000	--	--	5,960,000	61,280	14,667	--	75,947	5,884,053
Ankara Bahçelievler Building 2	5,684,746	--	--	5,684,746	39,923	9,555	--	49,478	5,635,268
İstanbul Ataköy Building	5,061,500	--	--	5,061,500	76,937	18,405	--	95,342	4,966,158
İstanbul Nişantaşı Building	5,000,000	--	--	5,000,000	27,887	6,705	--	34,592	4,965,408
Halkbank Finance Tower	126,548,795	--	--	126,548,795	1,670,311	607,233	--	2,277,544	124,271,251
Park Dedeman Levent Hotel	--	--	91,186,481	91,186,481	--	655,666	--	655,666	90,530,815
Kocaeli Şekerpinar Block A	--	--	67,860,443	67,860,443	--	880,907	--	880,907	66,979,536
Eskişehir- Panaroma Plus Project - Block D	--	1,644,422	--	1,644,422	--	10,361	--	10,361	1,634,061
Eskişehir- Panaroma Plus Project - Block B17	--	644,194	--	644,194	--	2,197	--	2,197	641,997
Buildings total	328,759,896	2,288,616	159,046,924	490,095,436	3,979,031	2,709,746	--	6,688,777	483,406,659
Levent Hotel Project (a)	63,656,372	27,530,109	(91,186,481)	--	--	--	--	--	--
İstanbul Financial Center Project (b)	261,705,522	7,621,024	--	269,326,546	--	--	--	--	269,326,546
Kocaeli Şekerpinar Project (c)	63,388,602	40,839,817	(67,860,443)	36,367,976	--	--	--	--	36,367,976
Total investment property under construction	388,750,496	75,990,950	(159,046,924)	305,694,522	--	--	--	--	305,694,522
Total	717,510,392	78,279,566	--	795,789,958	3,979,031	2,709,746	--	6,688,777	789,101,181

- (a) In the current period, due to Hotel Project on Levent Land, construction expenses amounting to TL 25,912,832, project management expenses amounting to TL 631,812 agreement stamp tax and other duties amounting to TL 885,195 and other expenses amounting to TL 100,270 are capitalized on the cost of project.
- (b) In the current period, due to İstanbul Financial Center Project, project management expenses amounting to TL 315,058, architecture and engineering expenses amounting to TL 5,640,950, agreement stamp tax and other duties amounting to TL 1,525,304 and other expenses amounting to TL 139,712 are capitalized on the cost of project.
- (c) In the current period, due to planned banking base on Kocaeli Şekerpinar Project, architecture and engineering expenses amounting to TL 1,536,352, construction expenses amounting to TL 39,189,063, agreement stamp tax and other duties amounting to TL 37,757 and other expenses amounting to TL 76,645 are capitalized on the cost of project.

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10. INVESTMENT PROPERTY (continued)

As at 31 December 2014, net book values and fair values of investment properties are as follows:

Investment property	Cost at 31 December 2013	Additions	Disposals	Cost at 31 December 2014	Amortisation at 31 December 2013	Additions	Disposals	Depreciation at 31 December 2014	Net book value at 31 December 2014
Karaköy Building	23,500,000	--	--	23,500,000	121,984	38,383	--	160,367	23,339,633
İstanbul Salıpazarı Building	22,000,000	--	--	22,000,000	219,411	69,039	--	288,450	21,711,550
İzmir Konak Building-1	13,400,000	--	--	13,400,000	204,324	64,682	--	269,006	13,130,994
Ankara Kızılay Building	12,475,237	--	--	12,475,237	101,650	31,985	--	133,635	12,341,602
İstanbul Beyoğlu Building	12,000,000	--	--	12,000,000	42,328	13,319	--	55,647	11,944,353
İstanbul Beşiktaş Building	11,893,840	--	--	11,893,840	55,893	17,587	--	73,480	11,820,360
İstanbul Etiler Building	11,000,000	--	--	11,000,000	38,843	12,222	--	51,065	10,948,935
İstanbul Şişli Building	11,000,000	--	--	11,000,000	121,384	38,194	--	159,578	10,840,422
İzmir Konak Building-2	10,290,000	--	--	10,290,000	86,530	27,392	--	113,922	10,176,078
Ankara Başkent Building	9,541,729	--	--	9,541,729	61,861	19,465	--	81,326	9,460,403
İstanbul Bakırköy Building	9,023,500	--	--	9,023,500	59,354	18,676	--	78,030	8,945,470
Bursa Building	8,500,000	--	--	8,500,000	70,722	22,241	--	92,963	8,407,037
Ankara Bahçelievler Building 1	6,681,356	--	--	6,681,356	91,690	28,863	--	120,553	6,560,803
Kocaeli Building	6,519,193	--	--	6,519,193	43,343	13,721	--	57,064	6,462,129
İstanbul Fatih Building	6,380,000	--	--	6,380,000	73,732	23,200	--	96,932	6,283,068
İstanbul Caddebostan Building	6,300,000	--	--	6,300,000	205,592	65,083	--	270,675	6,029,325
Sakarya Adapazarı Building	5,960,000	--	--	5,960,000	46,613	14,667	--	61,280	5,898,720
Ankara Bahçelievler Building 2	5,684,746	--	--	5,684,746	30,368	9,555	--	39,923	5,644,823
İstanbul Ataköy Building	5,061,500	--	--	5,061,500	58,532	18,405	--	76,937	4,984,563
İstanbul Nişantaşı Building	5,000,000	--	--	5,000,000	21,182	6,705	--	27,887	4,972,113
Halkbank Finance Tower	126,548,795	--	--	126,548,795	1,063,075	607,236	--	1,670,311	124,878,484
Buildings total	328,759,896	--	--	328,759,896	2,818,411	1,160,620	--	3,979,031	324,780,865
Levent Hotel Project (a)	38,045,288	25,611,084	--	63,656,372	--	--	--	--	63,656,372
İstanbul Financial Center Project (b)	239,427,053	22,278,469	--	261,705,522	--	--	--	--	261,705,522
Kocaeli Şekerpinar Project (c)	12,331,697	51,056,905	--	63,388,602	--	--	--	--	63,388,602
Total investment property under construction	289,804,038	98,946,458	--	388,750,496	--	--	--	--	388,750,496
Total	618,563,934	98,946,458	--	717,510,392	2,818,411	1,160,620	--	3,979,031	713,531,361

- (a) Due to Hotel Project on Levent Land, construction expenses amounting to TL 24,555,246, project management expenses amounting to TL 497,488 agreement stamp tax and other duties amounting to TL 514,550 and other expenses amounting to TL 43,800 are capitalized on the cost of project.
- (b) Due to İstanbul Financial Center Project, architectural and engineering expenses amounting to TL 3,141,800, agreement stamp tax and other duties (fees of construction permit) amounting to TL 18,178,573, project management expenses amounting to TL 945,465 and other project management expenses amounting to TL 12,631 are capitalized on the cost of project.
- (c) Due to planned banking base on Kocaeli Şekerpinar Project, architectural and engineering expenses amounting to TL 50,178,066, agreement stamp tax and other duties amounting to TL 866,397 and other expenses amounting to TL 12,442 are capitalized on the cost of project.

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

10. INVESTMENT PROPERTY (continued)

As at 31 December 2015 and 31 December 2014, net book values and fair values of investment properties are as follows:

Investment property	31 December 2015		31 December 2014	
	Net book value	Fair value	Net book value	Fair value
Istanbul Karaköy Building	23,301,250	30,000,000	23,339,633	28,500,000
Istanbul Salıpaazarı Building	21,642,511	46,680,000	21,711,550	43,400,000
İzmir Konak Building 1	13,066,312	21,382,200	13,130,994	18,530,000
Ankara Kızılay Building	12,309,617	16,200,000	12,341,602	17,675,000
Istanbul Beyoğlu Building	11,931,036	22,000,000	11,944,353	19,270,000
Istanbul Beşiktaş Building	11,802,773	16,030,000	11,820,360	15,114,000
Istanbul Etiler Building	10,936,713	16,200,000	10,948,935	14,575,000
Istanbul Şişli Building	10,802,228	14,325,000	10,840,422	13,000,000
İzmir Konak Building 2	10,148,686	13,470,000	10,176,078	12,600,000
Ankara Başkent Building	9,440,938	11,000,000	9,460,403	13,224,000
Istanbul Bakırköy Building	8,926,794	20,865,000	8,945,470	19,602,000
Bursa Building	8,384,796	11,860,000	8,407,037	10,865,000
Ankara Bahçelievler Building 1	6,531,941	9,000,000	6,560,803	9,077,500
Kocaeli Building	6,448,408	10,544,000	6,462,129	8,567,000
Istanbul Fatih Building	6,259,868	10,000,000	6,283,068	9,050,000
Istanbul Caddebostan Building	5,964,241	18,690,000	6,029,325	7,165,000
Sakarya Adapazarı Building	5,884,053	9,032,500	5,898,720	8,212,050
Ankara Bahçelievler Building 2	5,635,268	7,650,000	5,644,823	7,735,000
Istanbul Ataköy Building	4,966,158	10,975,000	4,984,563	10,290,000
Istanbul Nişantaşı Building	4,965,408	8,200,000	4,972,113	7,475,000
Halkbank Finance Tower	124,271,251	204,739,880	124,878,484	167,471,005
Park Dedeman Levent Hotel	90,530,815	145,107,568	--	--
Kocaeli Şekerpinar Block A	66,979,536	82,521,600	--	--
Eskişehir– Panaroma Plus Project - Block D	1,634,061	4,177,025	--	--
Eskişehir– Panaroma Plus Project – Block B17	641,997	649,863	--	--
Buildings total	483,406,659	761,299,636	324,780,865	461,397,555
Levent Hotel Project	--	--	63,656,372	108,160,115
Istanbul Financial Center Project	269,326,546	632,096,740	261,705,522	574,633,000
Kocaeli Şekerpinar Project Block B (a)	36,367,976	67,592,931	63,388,602	72,197,400
Total investment property under construction	305,694,522	699,689,671	388,750,496	754,990,515
Total	789,101,181	1,460,989,307	713,531,361	1,216,388,470

(a) Fair value of Kocaeli Şekerpinar Project was determined based on construction level on 7 December 2015. There is not any impairment provided as at 31 December 2015 due to the fact that when the project is finished, the estimated value of project would be TL 75,103,257.

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10. INVESTMENT PROPERTY (continued)

Buildings

i. 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.

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 CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Karaköy Building has been determined as TL 30,000,000 according to market value approach based on the report dated 16 November 2015 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank and Halk Faktoring AŞ. The Company earned TL 1,380,406 of rental income for the period started 1 January 2015 and ended 31 December 2015. The rent relation has ended up with Halk Faktoring AŞ as at 31 January 2015.

ii. İstanbul Salıpaazarı Building

İstanbul Salıpaazarı Building is registered to Beyoğlu/İstanbul Kılıçali neighbourhood with 57 city block and 14th plot. It is a 1,196 m² of land.

The value of the investment property has been determined as TL 22,000,000 according to the report dated 13 November 2009 prepared by real estate appraisal company licensed by CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Salıpaazarı Building has been determined as TL 46,680,000 according to market value approach based on the report dated 30 November 2015 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 691,281 of rental income for the period started 1 January 2015 and ended 31 December 2015. The agreement between the Company and Halkbank terminated on 14 December 2015. The Company signed an agreement with Beril Otelcilik Turizm ve Tic. Ltd. Şti. to rent Salıpaazarı Building as a hotel. In the renovation period, Euro 10,000 + VAT have been collected monthly during 12- month alteration period.

iii. İzmir Konak Building-1

İzmir Konak Corporate Building is registered to Konak/İzmir Akdeniz neighbourhood with 971 city block and 17rd plot. It is a massive block bank building with a place of 739 m². For the independent sections of the property there is no construction servitude.

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 company licensed by CMB and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Konak Corporate Building has been determined as TL 21,382,200 according to market value approach based on the report dated 20 November 2015 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 1,244,056 of rental income for the period started 1 January 2015 and ended 31 December 2015.

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10. INVESTMENT PROPERTY (continued)

Buildings (continued)

iv. Ankara Kızılay Building

Ankara Kızılay Building is registered to Çankaya/Ankara Cumhuriyet neighbourhood with 1064 city block and 14th plot. It is a massive block apartment with a place of 272 m².

The value of the investment property has been determined as TL 12,475,237 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 Kızılay Building and Service Building has been determined as TL 16,200,000 according to market value approach based on the report dated 18 December 2015 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company has rented this property to HalkBank. The Company earned TL 1,224,831 of rental income for the period started 1 January 2015 and ended 31 December 2015.

v. İstanbul Beyoğlu Building

İstanbul Beyoğlu Building is registered to Beyoğlu/İstanbul Hüseyinağa neighbourhood with 338 city block and 8th plot. It is a massive office block with a place of 195 m².

The value of the investment property has been determined as TL 12,000,000 according to the report dated 9 December 2009 prepared by real estate appraisal company licensed by CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Beyoğlu Building has been determined as TL 22,000,000 according to market value approach based on the report dated 26 November 2015 prepared by real estate appraisal company licensed by CMB. There is no restriction on the 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 1,330,942 of rental income for the period started 1 January 2015 and ended 31 December 2015.

vi. İstanbul Beşiktaş Building

İstanbul Beşiktaş Building is registered to Beşiktaş/İstanbul Sinanpaşa neighbourhood with 291 city block and 93rd plot. It is a massive block office building with a place of 267 m².

The value of the investment property has been determined as TL 11,893,840 according to the report dated 3 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 27 October 2010 by Halkbank. The fair value of Beşiktaş Building has been determined as TL 16,030,000 according to market value approach based on the report dated 25 November 2015 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented 2nd and 3rd floors to Pension Fund and other floors of this property to Halkbank. The Company earned TL 1,084,628 of rental income for the period started 1 January 2015 and ended 31 December 2015. The rent relation has ended up with Emekli Sandığı Vakfı as at 20 February 2015.

vii. İstanbul Etiler Building

İstanbul Etiler Building is registered to Beşiktaş/İstanbul 1st Region with 578 city block and 3rd plot. It is a massive house with a place of 617 m².

The value of the investment property has been determined as TL 11,000,000 according to the report dated 13 November 2009 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 27 October 2010 by Halkbank. The fair value of Etiler Building has been determined as TL 16,200,000 according to market value approach based on the report dated 25 November 2015 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 972,361 of rental income for the period started 1 January 2015 and ended 31 December 2015.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

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10. INVESTMENT PROPERTY (continued)

Buildings (continued)

viii. İstanbul Şişli Building

İstanbul Şişli Building is registered to Şişli/İstanbul Meşrutiyet neighbourhood with, 129 plate, 954 city block and 62nd plot. It is a massive block apartment with a place of 200 m².

The value of the investment property has been determined as TL 11,000,000 according to the report dated 9 December 2009 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 Şişli Building has been determined as TL 14,325,000 according to market value approach based on the report dated 25 November 2015 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 970,360 of rental income for the period started 1 January 2015 and ended 31 December 2015.

ix. İzmir Konak Building -2

Izmir Konak Building is registered to Konak/İzmir Akdeniz neighbourhood with 2802 city block and 15rd plot. It is a massive block bank building with a place of 616 m².

The value of the investment property has been determined as TL 10,290,000 according to the report dated 9 December 2009 prepared by real estate appraisal company licensed by CMB and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Konak Building has been determined as TL 13,470,000 according to market value approach based on the report dated 20 November 2015 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented 180 m² of ground floor and 400 m² of first floor to Halk Sigorta AŞ ("Halk Sigorta"), 171 m² of first floor to Halk Hayat Emeklilik and other divisions to Halkbank. The Company earned TL 872,711 of rental income for the period started 1 January 2015 and ended 31 December 2015.

x. Ankara Başkent Building

Ankara Başkent Building and Service Building is registered to Çankaya/Ankara Cumhuriyet neighbourhood with 1046 city block and 27th plot. It is a massive block apartment with a place of 205 m².

The value of the investment property has been 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 has been determined as TL 11,000,000 according to market value approach based on the report dated 18 December 2015 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank and Ceda Akaryakıt. The Company earned TL 1,047,038 of rental income for the period started 1 January 2015 and ended 31 December 2015.

xi. İstanbul Bakırköy Building

İstanbul Bakırköy Building is registered to Bakırköy/İstanbul Zeytinlik neighbourhood with 101 city block and 29th plot. It is an eight-storey massive block apartment with a place of 213 m².

The value of the investment property has been 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 10 December 2015 dated report of a real estate valuation firm was licensed by CMB, the fair value of Bakırköy Building has been determined as TL 20,865,000 according to market value approach. There is no restriction on the investment property. The Company has rented this property to Halkbank. The Company earned TL 1,240,450 of rental income for the period started 1 January 2015 and ended 31 December 2015.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

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

10. INVESTMENT PROPERTY (continued)

Buildings (continued)

xii. 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.

The value of the investment property has been determined as TL 8,500,000 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 Bursa Building has been determined as TL 11,860,000 according to market value approach based on the report dated 3 December 2015 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 787,082 of rental income for the period started 1 January 2015 and ended 31 December 2015.

xiii. Ankara Bahçelievler Building-1

Ankara Bahçelievler Building-1 is registered to Çankaya/Ankara Yukarı Bahçelievler neighbourhood with 2758 city block and 29th plot. It is a five-storey massive block apartment with a place of 612 m².

The value of the investment property has been 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 has been determined as TL 9,000,000 according to market value approach based on the report dated 18 December 2015 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 669,246 of rental income for the period started 1 January 2015 and ended 31 December 2015.

xiv. Kocaeli Building

Kocaeli Building is registered to İzmit/Kocaeli Ömerağa neighbourhood with 870 city block and 48th plot. It is a massive block building with a place of 284 m².

The value of the investment property has been determined as TL 6,519,193 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 Kocaeli Building has been determined as TL 10,544,000 according to market value approach based on the report dated 26 October 2015 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 820,300 of rental income for the period started 1 January 2015 and ended 31 December 2015.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

10. INVESTMENT PROPERTY (continued)

Buildings (continued)

xv. İstanbul Fatih Building

İstanbul Commercial Building is registered to Fatih/İstanbul Hobyar neighbourhood with 418 city block and 2nd plot. It is a massive block bank building with a place of 208 m².

The value of the investment property has been determined as TL 6,380,000 according to the report dated 9 December 2009 prepared by real estate appraisal company licensed by CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Fatih Building has been determined as TL 10,000,000 according to market value approach based on the report dated 26 November 2015 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 548,998 of rental income for the period started 1 January 2015 and ended 31 December 2015.

xvi. İstanbul Caddebostan Building

İstanbul Caddebostan Building is registered to Kadıköy/İstanbul Erenköy neighbourhood with 368 city block and 25th plot. It is a massive block apartment with a garden with a place of 902 m².

The value of the investment property has been 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 has been determined as TL 18,690,000 according to market value approach based on the report dated 2 November 2015 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 614,350 of rental income for the period started 1 January 2015 and ended 31 December 2015.

xvii. Sakarya Adapazarı Building

Sakarya Adapazarı Building is registered to Adapazarı/Sakarya Cumhuriyet neighbourhood with 130 city block and 167th plot. It is a land with a place of 3,000 m².

The value of the investment property has been 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 has been determined as TL 9,032,500 according to market value approach based on the report dated 9 October 2015 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 741,436 of rental income for the period started 1 January 2015 and ended 31 December 2015.

xviii. Ankara Bahçelievler Building-2

Ankara Bahçelievler Building -2 is registered to Çankaya/Ankara Yukarı Bahçelievler neighbourhood with 2763 city block and 10th plot. It is a stone apartment with a place of 610 m².

The value of the investment property has been 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 has been determined as TL 7,650,000 according to market value approach based on the report dated 18 December 2015 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş. ("Koton"). The Company earned TL 622,198 of rental income for the period started 1 January 2015 and ended 31 December 2015.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

10. INVESTMENT PROPERTY (continued)

Buildings (continued)

xix. İstanbul Ataköy Building

İstanbul Ataköy Building is registered to Bakırköy/İstanbul Kartaltepe neighbourhood with 115 city block and 174th plot. It is a massive block bank building with a place of 515 m².

The value of the investment property has been 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 has been determined as TL 10,975,000 according to market value approach based on the report dated 26 November 2015 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 708,558 of rental income for the period started 1 January 2015 and ended 31 December 2015.

xx. İstanbul Nişantaşı Building

İstanbul Nişantaşı Building is registered to Şişli/İstanbul Halaskargazi neighbourhood with 680 city block and 14th plot. It is an eight-storey massive apartment with a restaurant with a place of 221.50 m². Related property is classified as a cultural asset that is needed to be protected.

The value of the investment property has been determined as TL 5,000,000 according to the report dated 3 February 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 has been determined as TL 8,200,000 according to market value approach based on the report dated 24 November 2015 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 492,180 of rental income for the period started 1 January 2015 and ended 31 December 2015.

xxi. Halkbank Finance Tower

Halkbank Finance Tower is registered to Ataşehir/Küçükbakkalköy neighbourhood with 3332 city block and 24th plot. It is a land with a place of 7,995 m². The investment property has been purchased from the K Yapı Gayrimenkul Geliştirme İnş. San. ve Dış Tic. A.Ş. Due to related agreement, the payment of half of the cost value included VAT, TL 72,275,000 has been made concurrently transfer of 103 unit land register with servitude. 25% portion of sale price TL 36,137,500 was paid on 13 June 2012 and the last payment portion of sale price TL 33,237,500 was paid on 30 July 2012. The other part of payment TL 2,900,000 due to purchase is net off with the other transactions with the K Yapı Gayrimenkul Geliştirme İnş. San. ve Dış Tic. A.Ş. With the payment of first part, register fee of TL 2,070,600, settling expense of TL 509,253 and finance expense of TL 1,466,224 of the loan related with land are added to the building cost. TL 150,000,000 of mortgage has been given as collateral for the loan which obtained from the Halkbank (Note 13).

The fair value of Halkbank Finance Tower has been determined as TL 204,739,880 according to market value approach based on the report dated 16 November 2015 prepared by real estate appraisal company licensed by CMB. The Company has recognized TL 15,371,200 of rental income for the period started 1 January 2015 and ended 31 December 2015.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

10. INVESTMENT PROPERTY (continued)

Buildings (continued)

xxii. Park Dedeman Levent Hotel

Levent Land is registered to Mecidiyeköy/Şişli neighbourhood with 1957 city block and 6th plot. The land is place of 2,791 m². The value of investment property has been 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 has been determined as TL 145,107,568 according to market value approach based on the report dated 7 December 2015 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property.

The Company has recognized TL 4,835,743 of rental income for the period started 1 January 2015 and ended 31 December 2015.

xxiii. Kocaeli Şekerpınar Project Block A

Şekerpınar Block A is registered to Şekerpınar/Kocaeli neighbourhood with 420 block and 26 plot. There is no restriction on the investment property. Occupancy permit for Şekerpınar Block A is received as of 14.10.2015. Within the frame of the goodwill agreement signed with Halkbank on 21 May 2015, a 10-year lease agreement has been signed to be valid after 15 April 2015 with an amount of TL 442,625+VAT. The fair value of the investment property has been determined as TL 82,521,600 according to market value approach based on the report dated 7 December 2015 prepared by real estate appraisal company licensed by CMB.

The Company has recognized TL 3,762,313 of rental income for the period started 1 January 2015 and ended 31 December 2015.

xxiv. Eskişehir– Panaroma Plus Project - D Block

Eskişehir Block D is registered to Odunpazarı/Eskişehir neighbourhood with 13,124 block and 1 plot. There is no restriction on the investment property. Occupancy permit for Eskişehir Block D is received as of 28.08.2015. The Company signed 10-year lease agreement with Migros Ticaret A.Ş. on 20.08.2015. Within the frame of related lease agreement, starting date of leasing is determined as same date with opening. The fair value of the investment property has been determined as TL 4,177,025 according to market value approach based on the report dated 2 October 2015 prepared by real estate appraisal company licensed by CMB. The Company earned TL 20,535 of rental income for the period started 1 January 2015 and ended 31 December 2015.

xxv. Eskişehir– Panaroma Plus Project - B17 Block

Eskişehir Block B is registered to Odunpazarı/Eskişehir neighbourhood with 13,124 block and 1 plot. There is no restriction on the investment property. Occupancy permit for Eskişehir Block B is received as of 02.11.2015. The Company signed a lease agreement amounted TL 6,000+VAT with a real person on 01 November 2015. The fair value of the investment property has been determined as TL 649,863 according to market value approach based on the report dated 2 October 2015 prepared by real estate appraisal company licensed by CMB. The Company earned TL 12,000 of rental income for the period started 1 January 2015 and ended 31 December 2015.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

10. INVESTMENT PROPERTY (continued)

Investment property under construction

İstanbul Financial Center Project

Ataşehir Land is registered to Ümraniye/İstanbul Küçükbakkalköy neighbourhood with 3328 city block and 3rd plot. It has a place of 28,732 m². The value of the investment property has been 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 at 28 October 2010 by Halkbank. The fair value of Ataşehir Land has been determined as TL 632,096,740 according to market value approach based on the report dated 19 November 2015 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company applied for construction licence as at 31 December 2014.

Istanbul Finance Center project is developed under coordination of Ministry of Environment and Urbanisation of Turkish Republic. A protocol and initial confirmation is signed between the Company and the Ministry regarding the administration process of the Project.

At 25 December 2012, previous 3323 city block and 3rd plot of the Company has 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 250,173 m² 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 IFC in İstanbul have been granted for the mixed use (office&retail) project

Kocaeli Şekerpınar Project Block B

Şekerpınar Block B is registered to Şekerpınar/Kocaeli neighbourhood with 420 block and 26 plot. It has place 15,652 m². There is no restriction on the 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, has been determined as TL 67,592,931 according to market value approach based on the report dated 7 December 2015 prepared by real estate appraisal company licensed by CMB. After the completion, the fair value of the property shall be TL 75,103,527.

Operating leases

The Company as lessor

The Company has signed operating lease agreements with HalkBank, Koton, Halk Sigorta, Turkish Treasury and Ceda Akaryakıt Turizm as lessor. The future minimum lease payments as at 31 December 2015 and 31 December 2014 under non-cancellable leases are as follows:

	31 December 2015	31 December 2014
Less than one year	31,442,378	25,573,539
Between one and five years	107,116,477	6,823,753
More than five years	46,780,737	575,785
Total	185,339,592	32,973,077

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

11. TANGIBLE ASSETS

Movement schedule of tangible assets for the period from 1 January 2015 to 31 December 2015 are as follows:

	1 January 2015	Additions	Disposals	31 December 2015
<u>Cost</u>				
Furniture and fixtures	1,119,413	23,107	(8,829)	1,133,691
Leasehold improvements	661,327	--	--	661,327
	1,780,740	23,107	(8,829)	1,795,018
<u>Accumulated depreciation</u>				
Furniture and fixtures	(385,003)	(163,632)	2,667	(545,968)
Leasehold improvements	(480,342)	(180,985)	--	(661,327)
	(865,345)	(344,617)	2,667	(1,207,295)
	915,395	(321,510)	(6,162)	587,723

For the year ended 31 December 2015 tangible assets amounting to TL 23,107 were acquired.

As at 31 December 2015, total insurance on tangible assets amounting TL 1,400,000 (31 December 2014: TL 1,090,005).

Movement schedule of tangible assets for the period from 1 January 2014 to 31 December 2014 are as follows:

	1 January 2014	Additions	Disposals	31 December 2014
<u>Cost</u>				
Furniture and fixtures	816,873	304,397	(1,857)	1,119,413
Leasehold improvements	659,382	1,945	--	661,327
	1,476,255	306,342	(1,857)	1,780,740
<u>Accumulated depreciation</u>				
Furniture and fixtures	(170,155)	(215,484)	636	(385,003)
Leasehold improvements	(208,640)	(271,702)	--	(480,342)
	(378,795)	(487,186)	636	(865,345)
	1,097,460	(180,844)	(1,221)	915,395

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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12. INTANGIBLE ASSETS

Movement schedule of intangible assets for the period from 1 January 2015 to 31 December 2015 are as follows:

	1 January 2015	Additions	Disposals	31 December 2015
<u>Cost</u>				
Other intangible assets	716,678	38,718	--	755,396
	716,678	38,718	--	755,396
<u>Accumulated depreciation</u>				
Other intangible assets	(12,745)	(212,409)	--	(225,154)
	(12,745)	(212,409)	--	(225,154)
	703,933	(173,691)	--	530,242

For the year ended 31 December 2015 intangible assets amounting TL 38,718 were acquired.

As at 31 December 2015, there is no insurance on intangible assets (31 December 2014: None).

Movement schedule of intangible assets for the period from 1 January 2014 to 31 December 2014 are as follows:

	1 January 2014	Additions	Disposals	31 December 2014
<u>Cost</u>				
Other intangible assets	227,361	489,317	--	716,678
	227,361	489,317	--	716,678
<u>Accumulated depreciation</u>				
Other intangible assets	(3,862)	(8,883)	--	(12,745)
	(3,862)	(8,883)	--	(12,745)
	223,499	480,434		703,933

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015***(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***13. LOANS AND BORROWINGS**

As at 31 December 2015 and 31 December 2014, financial borrowings are as follows:

	31 December 2015	31 December 2014
Short-term financial liabilities:		
Short-term portion of long-term borrowings	3,396,983	3,397,361
Total short-term borrowings	3,396,983	3,397,361
Long-term borrowings:		
Long-term bank loans	11,349,972	13,340,555
Total long-term liabilities	11,349,972	13,340,555
Total financial liabilities	14,746,955	16,737,916

Financial debt repayment schedule is as follows:

	31 December 2015	31 December 2014
Less than 1 year	3,396,983	3,397,361
1–2 between years	3,072,510	3,073,017
2–3 between years	2,779,748	2,779,488
3–4 between years	2,514,760	2,514,646
4–5 between years	2,274,149	2,274,931
More than 5 years	708,805	2,698,473
Total	14,746,955	16,737,916

31 December 2015:

Currency	Nominal interest rate (%)	Maturity	Short-term	Long-term
TL ⁽¹⁾	8	2021	3,396,983	11,349,972
Total			3,396,983	11,349,972

31 December 2014:

Currency	Nominal interest rate (%)	Maturity	Short-term	Long-term
TL ⁽¹⁾	8	2021	3,397,361	13,340,555
Total			3,397,361	13,340,555

⁽¹⁾ Real estate located in İstanbul Beyoğlu Asmalımescit purchased with Halkbank loan at 25 April 2011 (sold out 8 September 2011).

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2015, The Company is subject of three labour law suits and one administrative suit which has been filed against the Company. A possible claim against the Company is amounting to TL 56,880.

According to the decision of CMB’s on 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 associations and financial institutions;

i) For their own corporate identities

ii) In favour of fully consolidated associations

iii) In favour of 3rd parties to continue their operations will not be limited.

After the decision is published at the Platform of Public Enlightenment, publicly owned companies will not give commitments 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 commitments have already been given it will be reduced to nil until 31 December 2014.

As at 31 December 2015 and 31 December 2014 commitments given are as follows:

	31 December 2015		31 December 2014	
	Original amount	Book value	Original amount	Book value
A. Commitments given in the name of own legal entity ⁽¹⁾	249,807,018	249,807,018	150,849,009	150,849,009
B. Commitments given in favour of full consolidated subsidiaries	--	--	--	--
C. Commitments given to guarantee the debts of third parties to continue their operations	--	--	--	--
D. Other commitments given;	--	--	--	--
- in favour of parent company	--	--	--	--
- in favour of group companies other than mentioned in bullets B and C	--	--	--	--
- in favour of third parties other than mentioned in bullets C	--	--	--	--
Total	249,807,018	249,807,018	150,849,009	150,849,009

⁽¹⁾ The mortgages have been given to Halkbank related to loan used for the Halkbank Finance Tower amounting to 150,000,000 TL (31 December 2014: TL 150,000,000) (Although loan agreement has been closed, mortgage has not been cancelled under general loan agreement between Halkbank and the Company) guarantee letter given for road accession commitment of and guarantee letter given for road accession commitment of Halkbank Finance Tower amounting to TL 97,504,542 (31 December 2014: none) and Levent Hotel Project amounting to TL 325,523 (31 December 2014: TL 263,811), guarantee letter given for electricity and gas supply commitment of Eskişehir Project amounting to respectively TL 149,255 and TL 6,750 (31 December 2015: TL 6,750) and guarantee letter given for Kocaeli project amounting to TL 538,448 (31 December 2014: TL 578,448). Guarantee letter given for road accession commitment of Bizimtepe Aydos Project amounting to TL 1,282,500 (31 December 2014: None).

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

As at 31 December 2015 and 31 December 2014, the details of letter of guarantees are presented below:

	31 December 2015	31 December 2014
Dedeman Turizm Yönetimi AŞ ⁽²⁾	12,710,400	5,641,400
Haldız İnşaat Otomotiv ve Tic Ltd.Şti ⁽⁷⁾	15,000,000	--
K Yapı Gayrimenkul Geliştirme İnş. San. Ve Dış Tic. AŞ ⁽¹⁾	4,950,296	9,913,239
Sapaz Otelcilik Turizm İnşaat Sanayi Ve Ticaret A.Ş. ⁽⁸⁾	4,766,400	--
Haldız İnşaat Otomotiv ve Tic Ltd.Şti ⁽⁷⁾	4,560,000	13,635,000
Biskon Yapı AŞ ⁽³⁾	4,480,200	8,960,400
Ericsson Telekomünikasyon AŞ ⁽¹⁾	3,145,824	9,245,910
İlgazlar İnşaat Tic. Ve San. AŞ ⁽⁶⁾	2,751,981	5,189,392
Entegre Proje Yönetim Dan.Müh.Tic. AŞ ⁽⁴⁾	760,000	569,000
Koton Mağazacılık Tekstil San ve Tic AŞ ⁽⁵⁾	412,503	300,000
YPU Yapı Proje Uygulama Ltd. Şti. ⁽⁷⁾	368,100	--
Borusan Makine ve Güç Sistemleri San.ve Tic. AŞ ⁽¹⁾	303,143	717,586
Megapol Mühendislik Tic. AŞ ⁽¹⁾	198,000	243,000
Mutlu Çilingiroğlu Mimarlık İnş. San. Ve Tic. Ltd. Şti. ⁽⁷⁾	160,500	--
Proplan Proje Yönetim AŞ ⁽⁶⁾	73,800	124,181
Seyş Sey Mimarlık Mühendislik Müşavirlik AŞ ⁽⁴⁾	--	3,950,000
Other	750,119	310,618
Toplam	55,391,266	58,799,726

(1) The Company has received letter of guarantee from the suppliers for architectural and construction activities within the scope of banking operations center project that being built on Kocaeli Şekerpınar Land.

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

(5) Koton is the lessee of the Company.

(6) The Company is the contractor company of Eskişehir Panaroma Project.

(7) Guarantee letter has been received from suppliers relating to architectural and construction businesses of Bizimtepe Aydos project.

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

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NOTES TO THE FINANCIAL STATEMENTS

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15. EMPLOYEE BENEFITS

As at 31 December 2015 and 31 December 2014, the details of employee benefits are presented below:

Short-term liabilities	31 December 2015	31 December 2014
Employee premium provision	500,019	492,513
Vacation pay liability	219,205	184,088
Total	719,224	676,601

Long-term liabilities	31 December 2015	31 December 2014
Provision for employee benefits	151,665	130,142
Total	151,665	130,142

In accordance with the existing labour code in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The Company calculated the severance pay liability for the retirement of its employees by discounting the future liabilities to their present values and reflected to the financials.

TAS 19 – *Benefits for Employees Reserves* Standard, requires the company to book the severance pay liability by developing actuarial valuation methods.

Primary actuarial estimations used at the attached financial statements are stated below regarding 31 December 2015 and 31 December 2014:

	31 December 2015	31 December 2014
Discount rate	4.72%	2.83%
Expected salary/limit increase rate	6.00%	6.00%
Estimated retirement turnover rate	96%	96%

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16. PREPAID EXPENSES, OTHER CURRENT, NON-CURRENT ASSETS

Prepaid expenses

As at 31 December 2015 and 31 December 2014, the details of prepaid expenses are presented below:

	31 December 2015	31 December 2014
Prepaid insurance expenses	52,219	192,728
Prepaid advertising and promotion expenses	30,260	12,563
Other	63,773	39,621
Total short term prepaid expenses	146,252	244,912
Investment advances ^(*)	7,542,325	19,604,382
Other	5,244	12,459
Total long term prepaid expenses	7,547,569	19,616,841
Total prepaid expenses	7,693,821	19,861,753

(*) As at 31 December 2015, advances given consist of followings, due to the planned banking base Project on Kocaeli Şekerpinar Land amounting to TL 680,927, due to the IFC Project advance amounting TL 411,496 is given to the contractor architecture and project administration firms, and project administration firms and due to the Sancaktepe Project advance amounting TL 6,449,902.

As at 31 December 2014, advances given consist of followings, due to the planned banking base Project on Kocaeli Şekerpinar Land, advance amounting TL 9,539,007 is given to the contractor architecture and engineering company, due to the Dedeman Otel Project advance amounting TL 5,394,588 is given to the contractor architecture and engineering company, due to the IFM Project advance amounting TL 1,868,291 is given to the contractor architecture and project administration firms, due to the Eskişehir Project advance amounting TL 2,802,496 is given to the contractor architecture and project administration firms.

Other current assets

As at 31 December 2015 and 31 December 2014, the details of other current assets are presented below:

	31 December 2015	31 December 2014
Deferred value added tax (“VAT”)	18,855,145	19,897,516
Other current assets from related parties (Note 4)	214,083	--
Deposits and guarantees given	126,014	35,140
Advances given	3,088	7,357
Other	594,355	478,695
Total	19,792,685	20,418,708

Other non-current assets

As at 31 December 2015 and 31 December 2014, the details of other non-current assets are presented below:

	31 December 2015	31 December 2014
Deferred value added tax (“VAT”)	13,419,454	9,901,360
Total	13,419,454	9,901,360

As at 31 December 2015, VAT receivable amounting to TL 13,419,454 caused by purchasing Sancaktepe land of Halk GYO-Vakıf GYO Adi Ortaklığı is classified to “other non-current assets”.

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17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

17.1. Paid in capital

As at 31 December 2015 and 31 December 2014, the issued and fully paid in capital of the Company is as follows:

	Group	31 December 2015		31 December 2014	
		Share %	Amount	Share %	Amount
Halkbank	A	1.58	11,739,936	1.58	11,027,324
Halkbank	B	70.38	522,939,741	70.38	491,197,355
Halk Yatırım	A	0.04	280,377	0.04	263,358
Halk Finansal Kiralama AŞ	A	<0.01	1	<0.01	1
Publicly held ^(*)	B	28.00	208,039,945	28.00	195,411,962
Paid in capital		100.00	743,000,000	100.00	697,900,000

(*) Halkbank has 52,492,058 B group shares with the share rate of 7.06 on publicly held (31 December 2014: 42.620.098).

The Company shares are issued into two type of groups; Group A and Group B to names. The Group A shares have the right to vote for the election of members of the Board of Directors (“BOD”). One more member of half of BOD members are elected through A Group shares’ candidates and remaining members are elected through A Group and B Group shares’ candidates by General Board. Capital increases in the Group A and B shares are issued as the Group A and B shares, respectively. However, if the BOD restricts the right of owning new shares for shareholders, new shares are issued as the Group B shares.

The Company has been established with registered capital ceiling is TL 1,500,000,000 registered shares of TL 1. The Company’s nominal capital value is amounting to TL 743,000,000 and had been portioned to 743,000,000 shares. All capital value has been subscribed by the founders; amounting to TL 196,217,979 has been paid as cash, amounting to TL 80,500,000 has been paid as capital increase from reserves and amounting to TL 466,282,021 has been paid in kind by Halkbank which is the lead shareholder.

Due to the numbered 49/110 Board of the Directors of the Company as at 15 August 2012, the Company increased the capital to TL 662,500,000. Increased capital of TL 185,500,000, 185,500,000 unit shares, is publicly offered as at 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.

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17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (continued)

17.2. Own shares acquired

The Company's own shares acquired are accounted at their costs. The Company acquired its own shares having a notional amount of 20,946,784 (31 December 2014: 19,675,318 shares).

As at 31 December 2015, The Company's own shares acquired detail as follows:

Transaction	Transaction date	Notional amount	Weighted average share price	Transaction amount
Repurchase share	26 February 2013	933,649	1.34	1,251,090
Repurchase share	27 February 2013	736,571	1.34	987,004
Repurchase share	28 February 2013	1,000,000	1.34	1,340,000
Repurchase share	1 March 2013	2,297,269	1.32	3,021,922
Repurchase share	5 March 2013	3,455,130	1.33	4,608,678
Repurchase share	11 March 2013	457,867	1.32	604,384
Repurchase share	12 March 2013	586,245	1.32	773,843
Repurchase share	15 March 2013	2,000,000	1.32	2,640,000
Repurchase share	21 March 2013	7,210,586	1.33	9,582,612
Bonus shares	20 June 2013	314,024	0.00	--
Bonus shares	5 June 2014	683,977	0.00	--
Bonus shares	11 June 2015	1,271,466	0.00	--
Total own shares acquired		20,946,784	1.18	24,809,533

17.3. 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 as share premium. Commission expenses, advertising expenses and consultancy expenses which are related with the initial public offering amounting to TL 8,847,688 are net off with share premium. Additionally, the difference of sales price over nominal value of own shares acquired amounted to TL 6,132,216 are net off with share premium.

17.4. 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 of acquisition amount of the company's own shares acquired. The reserve for the company's own shares may be written back in the amount of any sold or destroyed shares valued at cost.

As at 31 December 2015, the Company's restricted reserves are legal reserves and amounting to TL 32,833,600 (31 December 2014: TL 28,363,063).

17.5. Dividend

At 17 April 2015, the Company has decided to distribute dividends to the shareholders amounting to TL 5,960,066. Since the Company has written back its own shares in the amount of TL 168,035 net amount of dividend distributed to the shareholders is amounting to TL 5,792,040 (2014: TL 2,922,142).

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FOR THE YEAR ENDED 31 DECEMBER 2015***(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***18. REVENUE AND COST OF SALES**

For the years ended 31 December 2015 and 31 December 2014, revenue is as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Income from sales of residence	55,429,807	40,356,205
Rental income	42,065,203	29,962,463
Other	6,133	--
Total property income	97,501,143	70,318,668
Income from financial assets at fair value through profit and loss	1,462,628	2,737,183
Interest income on deposits	570,344	6,340,887
Interest income from financial assets available for sale financial assets	--	1,746,938
Interest income from held to maturity financial assets	--	5,452,279
Dividend income	--	15,162
Other incomes	121,996	--
Total income from debt securities	2,154,968	16,292,449
Total revenue	99,656,111	86,611,117
For the years ended 31 December 2015 and 31 December 2014 cost of sales are as follows:		
	1 January – 31 December 2015	1 January – 31 December 2014
Cost of residence sales	26,930,338	11,011,823
Depreciation expense	2,709,746	1,160,620
Real estate tax expense	632,991	594,004
Other	735,653	236,716
Total cost of property	31,008,728	13,003,163
Expense from financial assets at fair value through profit and loss	464,620	1,456,206
Commission expenses	52,386	190,220
Total cost of borrowing instruments	517,006	1,646,426
Total cost of sales	31,525,734	14,649,589

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS
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For the years ended 31 December 2015 and 31 December 2014, administrative expenses are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Personnel expenses	5,728,391	5,099,818
Amortisation expenses	557,026	496,069
Outsourced service expenses	473,836	560,956
Rent expenses	451,289	415,739
Consultancy expenses	443,144	454,442
Advertisement expenses	388,521	452,694
Tax and duties expenses	357,229	397,219
Travel and rent a car expenses	248,172	293,434
Office and IT related expenses	159,133	162,259
Maintenance expenses	34,385	21,733
Donation and aid expenses	--	2,000,000
Sponsorship expenses	--	539,835
Other	38,226	29,845
Total	8,879,352	10,924,043

Personnel expenses

	1 January – 31 December 2015	1 January – 31 December 2014
Salaries and wages	4,072,373	3,774,656
Social security payroll tax	635,332	520,274
Attendance fee	267,239	256,315
Other	753,447	548,573
Total	5,728,391	5,099,818

20. OTHER OPERATING INCOME / (EXPENSES)

For the years ended 31 December 2015 and 31 December 2014 other operating income / (expense) are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Other operating income		
Foreign exchange gains	667,142	9,365,000
Other operating expense		
Foreign exchange expenses	(871,135)	(7,271,997)

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21. FINANCIAL EXPENSES

For the years ended 31 December 2015 and 31 December 2014, financial expenses are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Interest expenses	1,623,127	1,783,342
Total	1,623,127	1,783,342

22. INCOME TAX

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

23. EARNINGS PER SHARE

Earnings per share stated in statement of comprehensive income are calculated by dividing net income for the period by the weighted average number of the Company's shares for the year.

There is no dilutive shares within the Company.

	1 January – 31 December 2015	1 January – 31 December 2014
Net profit for the period	57,423,905	61,347,148
Weighted average number of shares	743,000,000	743,000,000
Earnings per share (TL)	0.07729	0.08256

24. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk. The Company has exposure to the following risks from its operations:

- credit risk,
- liquidity risk,
- market risk.

24.1. Credit risk

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party. These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party.

The Company has rented the substantial portion of its portfolio to main shareholder, group companies and government's institutes. Guarantee letters has been taken from the rest of its tenants and limits the credit risk.

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As at 31 December 2015, credit risk exposure of financial assets is as follows:

31 December 2015	Receivables		Bank deposits	Financial Investments	Other	Total		
	Trade receivables	Other receivables						
	Related parties	Other parties	Related parties	Other parties				
Exposure to maximum credit risk as at reporting date (A+B+C+D)	4,649,752	24,460,485	--	--	16,436,458	--	--	45,546,695
A. Net carrying value of financial assets which are neither impaired nor overdue	4,649,752	24,460,485	--	--	16,436,458	--	--	45,546,695
B. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--	--	--
C. Net carrying value of impaired assets	--	--	--	--	--	--	--	--
- Past due (gross book value)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--	--	--
D. - Overdue (gross book value)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--	--	--

The Company does not have any overdue but impaired financial assets as at 31 December 2015.

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FOR THE YEAR ENDED 31 DECEMBER 2015*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***24. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS** *(continued)***24.1. Credit risk** *(continued)*

As at 31 December 2014, credit risk exposure of financial assets is as follows:

31 December 2014	Receivables		Receivables		Bank deposits	Financial investments	Other	Total
	Trade receivables	Other receivables	Related parties	Other parties				
Exposure to maximum credit risk as at reporting date (A+B+C+D)	--	12,301,751	--	--	8,658,261	37,928,769	--	58,888,781
A. Net carrying value of financial assets which are neither impaired nor overdue	--	12,301,751	--	--	8,658,261	37,928,769	--	58,888,781
B. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--	--	--
C. Net carrying value of impaired assets	--	--	--	--	--	--	--	--
- Past due (gross book value)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--	--	--
D. - Overdue (gross book value)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--	--	--
E. Off balance sheet items with credit risks	--	--	--	--	--	--	--	--

The Company does not have any overdue but impaired financial assets as at 31 December 2014.

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24. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

(continued)

24.2. Liquidity risk

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity.

The following table presents the Company’s financial liabilities including payments according to their remaining contractual maturities:

Contractual maturities						
31 December 2015	Carrying value	Total of contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	14,746,955	19,093,554	895,010	2,685,031	14,320,167	1,193,346
Trade payables	1,841,360	1,841,360	1,841,360	--	--	--
Total	16,588,315	20,934,914	2,736,370	2,685,031	14,320,167	1,193,346

Contractual maturities						
31 December 2014	Carrying value	Total of contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	16,737,916	22,673,596	895,010	2,685,031	14,320,167	4,773,388
Trade payables	606,561	606,561	606,561	--	--	--
Total	17,344,477	23,280,157	1,501,571	2,685,031	14,320,167	4,773,388

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24. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

24.3. Market risk

The Company is exposed to various market risks, including the effects of changes in exchange rates, interest rates, equity prices and credit spreads.

The total risk management program of the Company focuses on the unpredictability of the financial markets and aims at reducing the potential negative effects on the Company’s financial performance.

Foreign currency risk

Exchange risk comprises the effects arising from exchange movements in the event foreign currency assets, liabilities and off-balance sheet items are owned. The Company is exposed to foreign currency risk regarding the sale of residential units to foreign customers at Bakırköy Project as generally US Dollar (“USD”) bonds and checks.

As at 31 December 2015 and 31 December 2014, foreign currency assets and liabilities are as follows:

	31 December 2015	31 December 2014
	(Balance TL)	(Balance TL)
Total foreign currency assets	889,359	5,901,343
Total foreign currency liabilities	(916)	(1,372,565)
Net exposure	888,443	4,528,778

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24. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

24.3. Market risk (continued)

Foreign currency risk (continued)

	31 December 2015				31 December 2014			
	TL (functional currency)	USD	EURO	GBP	TL (functional currency)	USD	EURO	GBP
1. Trade receivables	889,359	305,874	--	--	1,424,338	614,230	--	--
2a. Monetary financial assets	--	--	--	--	91,233	38,332	500	260
2b. Non-monetary financial assets	--	--	--	--	4,332,437	1,868,316	--	--
3. Other	--	--	--	--	--	--	--	--
4. CURRENT ASSETS	889,359	305,874	--	--	5,848,008	2,520,878	500	260
5. Trade receivables	--	--	--	--	53,335	23,000	--	--
6a. Monetary financial assets	--	--	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--	--	--
7. Other	--	--	--	--	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--	53,335	23,000	--	--
9. TOTAL ASSETS	889,359	305,874	--	--	5,901,343	2,543,878	500	260
10. Trade payables	--	--	--	--	1,372,565	588,614	2,704	--
11. Financial liabilities	--	--	--	--	--	--	--	--
12a. Monetary other liabilities	--	--	--	--	--	--	--	--
12b. Non-monetary liabilities	916	315	--	--	--	--	--	--
13. Short-term liabilities	916	315	--	--	1,372,565	588,614	2,704	--
14. Trade payables	--	--	--	--	--	--	--	--
15. Financial liabilities	--	--	--	--	--	--	--	--
16a. Financial liabilities	--	--	--	--	--	--	--	--
16b. Non-monetary liabilities	--	--	--	--	--	--	--	--
17. Long-term liabilities	--	--	--	--	--	--	--	--
18. TOTAL LIABILITIES	916	315	--	--	1,372,565	588,614	2,704	--
19. Off balance sheet derivatives net asset/liability position(19a-19b)	--	--	--	--	--	--	--	--
19a Active off balance sheet derivative(foreign currency)	--	--	--	--	--	--	--	--
19b. Passive off balance sheet derivative(foreign currency)	--	--	--	--	--	--	--	--
20. Net foreign currency asset liability position	888,443	305,559	--	--	4,528,778	1,955,264	(2,204)	260
21. Monetary accounts net foreign currency asset/liabilities position (1+2a+5+6a-10-11-12a-14-15-16a)	888,443	305,559	--	--	196,341	86,948	(2,204)	260
22. Fair value of financial assets used for foreign currency hedge	--	--	--	--	--	--	--	--
23. Hedged foreign currency assets amount	--	--	--	--	--	--	--	--
24. Hedged foreign currency liabilities amount	--	--	--	--	--	--	--	--

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24. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

24.3. Market risk (continued)

Foreign currency risk (continued)

Foreign currency sensitivity analysis:

31 December 2015	Profit/(loss)		Shareholder's equity	
	Devaluation of TL	Evaluation of TL	Devaluation of TL	Evaluation of TL
10% change in USD against TL;				
1-USD net assets/(liabilities)	88,844	(88,844)	88,844	(88,844)
2-USD proportion hedged from changes (-)	--	--	--	--
3-USD net effect (1+ 2)	88,844	(88,844)	88,844	(88,844)
10% change in EURO against TL;				
4-EURO net assets/(liabilities)	--	--	--	--
5-EURO proportion hedged from changes (-)	--	--	--	--
6-EURO net effect (4+ 5)	--	--	--	--
10% change in GBP against TL;				
7-GBP net assets/(liabilities)	--	--	--	--
8-GBP proportion hedged from changes (-)	--	--	--	--
9-GBP net effect (7+ 8)	--	--	--	--
Total (3+6+9)	88,844	(88,844)	88,844	(88,844)
31 December 2014				
	Profit/(Loss)		Shareholder's Equity	
	Devaluation of TL	Evaluation of TL	Devaluation of TL	Evaluation of TL
10% change in USD against TL;				
1-USD net assets/(liabilities)	201,624	(201,624)	201,624	(201,624)
2-USD proportion hedged from changes (-)	--	--	--	--
3-USD net effect (1+ 2)	201,624	(201,624)	201,624	(201,624)
10% change in EURO against TL;				
4-EURO net assets/(liabilities)	(6,217)	6,217	(6,217)	6,217
5-EURO proportion hedged from changes (-)	--	--	--	--
6-EURO net effect (4+ 5)	(6,217)	6,217	(6,217)	6,217
10% change in GBP against TL;				
7-GBP net assets/(liabilities)	935	(935)	935	(935)
8-GBP proportion hedged from changes (-)	--	--	--	--
9-GBP net effect (7+ 8)	935	(935)	935	(935)
Total (3+6+9)	196,342	(196,342)	196,342	(196,342)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

24. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

24.3. Market risk (continued)

Interest rate risk

The Company is exposed to interest rate risk due to interest bearing assets and liabilities.

The table below shows the financial instruments sensitive to interest rates as at 31 December 2015 and 31 December 2014:

	31 December 2015	31 December 2014
<i>Financial instruments with fixed interest rates</i>		
Financial assets	15,245,167	45,831,057
<i>Time deposits</i>	15,245,167	7,902,288
<i>Bank Bonds</i>	--	34,841,163
<i>Lease certificate</i>	--	3,087,606
Financial liabilities	14,746,955	16,737,916

Weighted interest rates which are applied to financial instruments as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
<i>Financial instruments</i>		
Time deposits –TL	11.29%	8.11%
Financial investment-TL	--	8.58%
Loans and borrowings-TL	8.00%	8.00%

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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24. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS *(continued)*

24.4. Capital management

The Company manages capital by using effective portfolio management to reduce the risk of investment to minimum. The main objectives of the Company are to continue operations with generating revenue, to secure the benefits of the shareholders, cost of capital and to continue the optimum level of net liabilities/equity and to achieve the efficient capital structure continuity.

25. FINANCIAL INSTRUMENTS

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties.

A number of the Company’s accounting policies and disclosures require the determination of fair value for financial assets and liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Following assumptions and methods are used to estimate fair value of financial instruments, if fair values are applicable.

Financial assets

Financial investments, recognised in financial statements are reflected at fair values. The Company assumes that the carrying values of the cash and cash equivalents are close to their fair value because of their short-term nature.

Trade receivables

As at 31 December 2015, fair value of the long term trade receivables are computed based on the Company’s default interest on contracts for trade receivable as at reporting date. The carrying values of short-term trade receivables are assumed to be close to their fair values due to their short term nature.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

25. FINANCIAL INSTRUMENTS (continued)

Financial liabilities

Loans and borrowings

As at 31 December 2015, the fair value of loans and borrowings are calculated by using the Company’s borrowing rate at the reporting date.

Trade and other payables

The Company assumes that the carrying values of the trade payables are close to their fair value because of their short-term nature.

Fair value of financial instruments

Except assets and liabilities presented below, the Company’s management thought that recognised amounts of financial assets and liabilities in financial statements are close to fair values.

The table below represents comparison of fair value and recorded amount of financial instruments.

		31 December 2015		31 December 2014	
	Note	Carrying value	Fair value	Carrying value	Fair value
<i>Financial assets</i>					
Trade receivables	7	29,110,237	28,929,857	12,301,751	12,254,151
<i>Financial liabilities</i>					
Loans and borrowings	13	14,746,955	14,669,334	16,737,916	16,635,443

Classification of fair value measurement

TFRS 7 – Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company.

This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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

25. FINANCIAL INSTRUMENTS (continued)***Classification of fair value measurement (continued)***

In this context, classification of fair value of financial assets and liabilities measured at fair value are as follows:

31 December 2015	Level 1	Level 2	Level 3	Total
<i>Financial investments:</i>				
Bank bonds	--	--	--	--
Total financial assets	--	--	--	--
31 December 2014	Level 1	Level 2	Level 3	Total
<i>Financial investments:</i>				
Bank bonds	34,841,163	--	--	34,841,163
Lease certificates	3,087,606	--	--	3,087,606
Total financial assets	37,928,769	--	--	37,928,769

26. SUBSEQUENT EVENTS

None.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO AS AT 31 DECEMBER 2015 ADDITIONAL NOTE

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

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 CMB and these information has been prepared in accordance with the control of portfolio limit compliance of CMB’s “Communiqué on Principles Regarding Real Estate Investment Trusts”, published in the Official Gazette numbered 28660 and III-48.1. In addition, as indicated in Note 1, information in the financial statement of the Company is unconsolidated data due to the Company has no subsidiary or joint venture.

As at 30 September 2015, the Company complied with the restrictions that stated on the paragraph “a, b, c, ç and d” of 24th substance, 22nd and 38th substance of CMB’s “Communiqué on Principles Regarding Real Estate Investment Trusts”, published in the Official Gazette numbered 28660 and III-48.1 and the ratios related with these restrictions is shown below (31 December 2014: There is no incompliance).

	Financial statement primary accounts items	Regulations	31 December 2015 (TL)	31 December 2014 (TL)
A	Monetary and capital market instruments	Serial: III-48.1, Article 24/(b)	16,436,458	46,587,030
B	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article 24/(a)	887,066,081	816,622,098
C	Subsidiaries	Serial: III-48.1, Article 24/(b)	--	--
	Due from related parties (non-trade)	Serial: III-48.1, Article 23/(f)	--	--
	Other assets		71,213,238	65,197,538
D	Total assets	Serial: III-48.1, Article 3/(k)	974,715,777	928,406,666
E	Loans and borrowings	Serial: III-48.1, Article 31	14,746,955	16,737,916
F	Other financial liabilities	Serial: III-48.1, Article 31	--	--
G	Financial leasing obligation	Serial: III-48.1, Article 31	--	--
H	Due to related parties (non-trade)	Serial: III-48.1, Article 23/(f)	--	--
I	Equity	Serial: III-48.1, Article 31	879,448,866	827,793,895
	Other liabilities		80,519,956	83,874,855
D	Total liabilities and equity	Serial: III-48.1, Article 3/(k)	974,715,777	928,406,666
	Other financial information	Regulations	31 December 2015 (TL)	31 December 2014 (TL)
A1	Financial markets instruments held for three years payment of real estates	Serial: III-48.1, Article 24/(b)	--	--
A2	Time deposit/ demand deposit/ TL / foreign currency	Serial: III-48.1, Article 24/(d)	15,638,727	8,326,483
A3	Foreign capital market instruments	Serial: III-48.1, Article 24/(d)	--	--
B1	Foreign real estates, projects, based on real estates	Serial: III-48.1, Article 24/(d)	--	--
B2	Idle land	Serial: III-48.1, Article 24/ç	--	--
C1	Foreign Subsidiaries (operating companies)	Serial: III-48.1, Article 24/(d)	--	--
C2	Subsidiaries (operating companies)	Serial: III-48.1, Article 28	--	--
J	Non-cash loans	Serial: III-48.1, Article 31	99,807,018	849,009
K	Mortgage amounts on land that project to be developed and the ownership does not belong to the partnership	Serial: III-48.1, Article 22/(e)	--	--

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO
AS AT 31 DECEMBER 2015 ADDITIONAL NOTE**

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

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

	Portfolio Restrictions	Regulations	Calculation	Min/Max Rate	31 December 2015 (TL)	31 December 2014 (TL)
1	Mortgage Amounts on Land that Project to be Developed and the Ownership Does Not Belong the Partnership	Serial: III-48.1, Article22/(e)	K/D	Maximum %10	--	--
2	Monetary and Capital Market Instruments	Serial: III-48.1, Article24/(a),(b)	(B+A1)/D	Minimum %51	91.01%	87.96%
3	Real estates, based on Real Estates, Rights based on Real Estates	Serial: III-48.1, Article24/(b)	(A+C-A1)/D	Maximum %49	1.69%	5.02%
4	Monetary and Capital Market Instruments	Serial: III-48.1, Article24/(d)	(A3+B1+C1)/D	Maximum %49	--	--
5	Idle Land	Serial: III-48.1, Article24/©	B2/D	Maximum %20	--	--
6	Subsidiaries (Operating Companies)	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	13.03%	2.02%
8	Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article24/(b)	(A2-A1)/D	Maximum %10	1.60%	0.90%