

Halk Gayrimenkul Yatırım Ortaklığı AŞ

Interim Financial Statements with Notes
as at and For the Interim Period Ended
31 March 2015 with Independent Auditors'
Review Report Thereon

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

24 April 2015

*This report includes 1 pages of independent
auditor's review report and 55 pages of
interim financial statements and notes to the
interim financial statements*

Halk Gayrimenkul Yatırım Ortaklığı AŞ

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**Convenience Translation of the Independent Auditor’s Review Report
Originally Prepared and Issued in Turkish**

To the Board of Directors of Halk Gayrimenkul Yatırım Ortaklığı Anonim Şirketi,

Introduction

We have reviewed the accompanying condensed statement of financial position of Halk Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the “Company”) as at 31 March 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three month period then ended and notes to the interim financial information. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Turkish Accounting Standards 34 *Interim Financial Reporting* (“TAS 34”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with TAS 34 *Interim Financial Reporting*.

Emphasis of matters which do not impact on the opinion

As explained in Note 4 to the financial statements, the Company earns significant portion of its revenue from its related parties.

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

Alper Güvenç, Certified Public Accountant
Partner

24 April 2015
Istanbul, Turkey

Additional paragraph for convenience translation to English:

As explained in Note 2.1, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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

| ASSETS | <i>Notes</i> | Reviewed | Audited |
|--|--------------|----------------------|-------------------------|
| | | 31 March 2015 | 31 December 2014 |
| CURRENT ASSETS | | 169,106,496 | 183,420,241 |
| Cash and cash equivalents | 5 | 5,566,970 | 8,658,261 |
| Financial investments | 6 | 22,264,298 | 37,928,769 |
| Trade receivables | 7 | 9,732,193 | 11,984,216 |
| Inventories | 8 | 106,375,053 | 103,090,737 |
| Prepaid expenses | 16 | 278,648 | 244,912 |
| - <i>Related parties</i> | 4 | 130,841 | 192,728 |
| - <i>Other</i> | | 147,807 | 52,184 |
| Current tax assets | | 1,115,814 | 1,094,638 |
| Other current assets | 16 | 23,773,520 | 20,418,708 |
| NON-CURRENT ASSETS | | 765,828,263 | 744,986,425 |
| Trade receivables | 7 | 221,560 | 317,535 |
| Investment property | 10 | 740,827,090 | 713,531,361 |
| Prepaid expenses | 16 | 13,271,895 | 19,616,841 |
| Tangible assets | 11 | 842,005 | 915,395 |
| Intangible assets | 12 | 738,490 | 703,933 |
| Other non-current assets | 16 | 9,927,223 | 9,901,360 |
| TOTAL ASSETS | | 934,934,759 | 928,406,666 |
| LIABILITIES | | | |
| SHORT-TERM LIABILITIES | | 83,663,169 | 87,142,074 |
| Current portion of long term borrowings | 13 | 3,396,196 | 3,397,361 |
| - <i>Borrowings from related parties</i> | 4 | 3,396,196 | 3,397,361 |
| Trade payables | 7 | 1,456,824 | 606,561 |
| - <i>Due to related parties</i> | 4 | 50,015 | 126,242 |
| - <i>Due to non-related parties</i> | 7 | 1,406,809 | 480,319 |
| Short term portions of employee benefits | 15 | 856,113 | 676,601 |
| Deferred income | 9 | 69,701,281 | 76,802,390 |
| Other short-term liabilities | | 8,252,755 | 5,659,161 |
| LONG-TERM LIABILITIES | | 13,007,339 | 13,470,697 |
| Long term borrowings | 13 | 12,856,941 | 13,340,555 |
| - <i>Borrowings from related parties</i> | 4 | 12,856,941 | 13,340,555 |
| Long term portions of employee benefits | 15 | 150,398 | 130,142 |
| EQUITY | 17 | 838,264,251 | 827,793,895 |
| Share capital | | 697,900,000 | 697,900,000 |
| Own shares acquired | | (19,675,318) | (19,675,318) |
| Share premium | | 49,945,096 | 49,945,096 |
| Other comprehensive income that will never be reclassified to profit or loss | | (19,660) | (19,660) |
| - <i>Defined benefit plan actuarial gains (losses)</i> | | (19,660) | (19,660) |
| Other comprehensive income that are or may be reclassified to profit or loss | | -- | -- |
| - <i>Net change in fair value of available-for-sale financial assets</i> | | -- | -- |
| Restricted reserves | | 28,363,063 | 28,363,063 |
| Retained earnings | | 71,280,714 | 9,933,568 |
| Net profit for the period | | 10,470,356 | 61,347,146 |
| TOTAL LIABILITIES AND EQUITY | | 934,934,759 | 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 INTERIM PERIOD ENDED 31 MARCH 2015***(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)*

| | | Reviewed | Reviewed |
|---|--------------|--------------------------------------|--------------------------------------|
| | <i>Notes</i> | 1 January – 31 March 2015 | 1 January – 31 March 2014 |
| Revenue | 18 | 16,026,056 | 13,518,983 |
| Cost of sales | 18 | (2,848,388) | (1,330,428) |
| Gross profit | | 13,177,668 | 12,188,555 |
| Administrative expenses | 19 | (2,244,737) | (1,950,203) |
| Other operating income | 20 | 324,109 | 276,622 |
| Other operating expenses | 20 | (378,064) | (562,781) |
| Operating profit | | 10,878,976 | 9,952,193 |
| Financial expenses | 21 | (408,620) | (456,084) |
| Profit before tax | | 10,470,356 | 9,496,109 |
| Tax income / (expense) | 22 | -- | -- |
| NET PROFIT FOR THE PERIOD | | 10,470,356 | 9,496,109 |
| Earnings per share | 23 | 0.01500 | 0.01410 |
| OTHER COMPREHENSIVE INCOME | | | |
| <i>Other comprehensive income non- reclassified to profit or loss</i> | | | |
| - Defined benefit plan actuarial gains (losses) | | -- | -- |
| <i>Other comprehensive income reclassified to profit or loss</i> | | | |
| - Net change in fair value of available-for-sale financial assets | | -- | 357,614 |
| Other comprehensive income | | -- | 357,614 |
| TOTAL COMPREHENSIVE INCOME | | 10,470,356 | 9,853,723 |

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

STATEMENT OF CHANGES IN EQUITY

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

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

| | | | | | 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 | | Accumulated profit | | |
|------------------------------------|-------|---------------|---------------------|----------------|--|--|---------------------|--------------------|---------------------------|-------------|
| | Notes | Share capital | Own shares acquired | Share premiums | Net loss in fair value of available-for-sale financial assets | Defined benefit plan actuarial gains (losses) | Restricted reserves | Retained Earnings | Net profit for the period | Total |
| 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 | | -- | -- | -- | -- | -- | -- | 31,510,827 | (31,510,827) | -- |
| Total comprehensive income | | -- | -- | -- | 357,614 | -- | -- | -- | 9,496,109 | 9,853,723 |
| Balance at 31 March 2014 | 17 | 673,638,704 | (18,991,341) | 49,945,096 | 148,468 | (3,392) | 2,074,167 | 62,721,925 | 9,496,109 | 779,029,736 |
| 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 | | -- | -- | -- | -- | -- | -- | 61,347,146 | (61,347,146) | -- |
| Total comprehensive income | | -- | -- | -- | -- | -- | -- | -- | 10,470,356 | 10,470,356 |
| Balance as at 31 March 2015 | 17 | 697,900,000 | (19,675,318) | 49,945,096 | -- | (19,660) | 28,363,063 | 71,280,714 | 10,470,356 | 838,264,251 |

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**STATEMENT OF CASH FLOWS**

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

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

| | <i>Notes</i> | Reviewed | Reviewed |
|---|--------------|----------------------|----------------------|
| | | 1 January – | 1 January – |
| | | 31 March 2015 | 31 March 2014 |
| <u>Cash flows from operating activities</u> | | | |
| Net profit for the period | | 10,470,356 | 9,496,109 |
| Adjustments related with net profit reconciliation: | | | |
| Adjustments to the depreciation expense of investment property | <i>10</i> | 286,181 | 286,181 |
| Adjustments to the depreciation expense of tangible assets | <i>11</i> | 73,390 | 114,796 |
| Adjustments to the amortization expense of intangible assets | <i>12</i> | 2,851 | 2,072 |
| Adjustments to the provisions | | 209,857 | 9,456 |
| Adjustments to the interest income and interest expense | | 248,249 | (1,518,283) |
| Adjustments to the unrealized foreign currency conversion | | 53,955 | 799,162 |
| Adjustments to the fair value loss / profit | | (393,686) | (32,376) |
| Changes in working capital: | | | |
| Adjustments to the increase/decrease in inventory | | (3,284,316) | (1,928,473) |
| Adjustments to the increase/decrease in trade receivables | | 2,347,998 | 1,068,165 |
| Adjustments to the increase/decrease in prepaid expenses | | 6,311,210 | (998,527) |
| Adjustments to the increase/decrease in other current assets | | (3,401,851) | (163,187) |
| Adjustments to the increase/decrease in trade payables | | 850,263 | (1,915,848) |
| Adjustments to the increase/decrease in deferred income | | (7,138,339) | 5,513,904 |
| Adjustments to the increase/decrease in other liabilities | | 2,593,596 | 1,520,256 |
| Proceeds from sale of shares or debt instruments of a business organization or funds | | 146,465,083 | 41,644,266 |
| Proceeds from acquisition of shares or debt instruments of a business organization or funds | | (130,406,926) | (28,759,479) |
| Cash flows related to the operating activities | | | |
| Interest received | | 141,181 | 2,228,682 |
| Other cash outflows | | (10,089) | (62,255) |
| Net cash provided from operating activities | | 25,418,963 | 27,304,621 |
| <u>Cash flows used in investing activities</u> | | | |
| Cash payments for acquisition of tangible assets | <i>11</i> | -- | (170,261) |
| Cash payments for acquisition of intangible assets | <i>12</i> | (37,408) | (183,329) |
| Cash payments for acquisition of investment property | <i>10</i> | (27,581,910) | (3,111,422) |
| Net cash used in investment activities | | (27,619,318) | (3,465,012) |

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

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

| | <i>Notes</i> | Reviewed | Reviewed |
|---|--------------|----------------------|----------------------|
| | | 1 January – | 1 January – |
| | | 31 March 2015 | 31 March 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 | | (415,457) | -- |
| Dividend paid | | -- | -- |
| Repayment of borrowings | | (477,943) | (895,363) |
| Net cash used in financing activities | | (893,400) | (895,363) |
| Net increase /(decrease) in cash and cash equivalents before the effect of foreign currency conversion adjustments | | | |
| | | (3,093,755) | 22,944,246 |
| The effect of foreign currency conversion adjustments in cash and cash equivalents | | (16,726) | 266 |
| Net (decrease) / increase in cash and cash equivalents | | (3,110,481) | 22,944,512 |
| Cash and cash equivalents at the beginning | | 8,658,261 | 71,902,523 |
| Cash and cash equivalents at the period end | <i>5</i> | 5,547,780 | 94,847,035 |

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 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 697,900,000, 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 35,400,000 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 March 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 national 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 25 June 2014 the Company increased its share capital to TL 697,900,000 by transferring TL 24,261,296 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 INTERIM PERIOD ENDED 31 MARCH 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 34 Interim Financial Reporting (“TAS 34”) 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.

As at 31 March 2015, the financial statements of the Company have been approved by the Board of Directors of the Company on **24 April 2015**.

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 2014 have been applied consistently for the interim period ended 31 March 2015 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 INTERIM PERIOD ENDED 31 MARCH 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 March 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 March 2015

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

2.3.1. New standards and interpretations as at 31 March 2015

There have been new standards and interpretations not yet adopted to the accompanying financial statements as at 31 March 2015. None of these standards and interpretations is expected to have significant effects on the financial statements.

IFRS 9 Financial Instruments – Classification and measurement

IFRS 11 – Accounting for acquisition of interests in joint operations

IFRS 15 Revenue from Contracts with customers

TAS 16 – Clarification of acceptable methods of depreciation and amortization

Equity method in separate financial statements (Amendments to TAS 27)

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

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

Rent 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 INTERIM PERIOD ENDED 31 MARCH 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 March 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 INTERIM PERIOD ENDED 31 MARCH 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 INTERIM PERIOD ENDED 31 MARCH 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 Group 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 INTERIM PERIOD ENDED 31 MARCH 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 INTERIM PERIOD ENDED 31 MARCH 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 INTERIM PERIOD ENDED 31 MARCH 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/(34). 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 INTERIM PERIOD ENDED 31 MARCH 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 March 2015 and 31 December 2014, voting right of the Company in the joint operation is as follows:

| Voting right in the joint operation | 31 March 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 March 2015 and 31 December 2014, the Company's share in financial statements of the Halk GYO-Vakıf GYO Adi Ortaklığı is as follows:

| | 31 March 2015 | 31 December 2014 |
|------------------------|----------------------|-------------------------|
| Non-current assets | 10,102,503 | 9,901,360 |
| Current assets | 60,038,664 | 60,162,805 |
| Short-term liabilities | (8,657) | (369) |
| Long-term liabilities | -- | -- |
| Net assets | 70,132,510 | 70,063,796 |

| | 1 January – 31 March 2015 |
|-------------------|--------------------------------------|
| Income | 86,918 |
| Expenses | -- |
| Net profit | 86,918 |

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***4. RELATED PARTY DISCLOSURES****4.1. Due from / to related parties**

| | 31 March 2015 | 31 December 2014 |
|---|----------------------|-------------------------|
| <i>Banks-Demand deposits</i> | | |
| Halkbank A.Ş. | 463,121 | 424,071 |
| <i>Banks-Time deposits</i> | | |
| Halkbank A.Ş. | 4,806,894 | 7,902,288 |
| <i>Banks -Other liquid assets</i> | | |
| Halkbank A.Ş. | 299,230 | 331,560 |
| Halk Yatırım A.Ş. | 440 | 218 |
| <i>Bank Bonds-Financial investments</i> | | |
| Halkbank A.Ş. | 22,264,298 | 34,841,163 |
| Total | 27,833,983 | 43,499,300 |
| <i>Prepaid expenses</i> | 130,841 | 192,728 |
| Halk Sigorta AŞ | 130,829 | 188,977 |
| Halk Hayat ve Emeklilik AŞ | 12 | 3,751 |
| T. Halk Bankası Spor Kulübü | -- | -- |
| <i>Other current assets</i> | -- | -- |
| Halkbank A.Ş. | -- | -- |
| <i>Capitalization of expenses on investment properties</i> | 28,933 | 42,668 |
| Halk Sigorta AŞ | 8,133 | 40,793 |
| Halkbank A.Ş. | 20,800 | 1,875 |
| Total | 159,774 | 235,396 |
| <i>Financial borrowings</i> | | |
| Halkbank A.Ş.–short term | 3,396,196 | 3,397,361 |
| Halkbank A.Ş.–long term | 12,856,941 | 13,340,555 |
| Total | 16,253,137 | 16,737,916 |
| <i>Due to related parties</i> | | |
| Halk Sigorta AŞ | 50,015 | 126,242 |
| Total | 50,015 | 126,242 |
| <i>Short term deferred income</i> | | |
| Halkbank A.Ş. | -- | 2,788,350 |
| Total | -- | 2,788,350 |

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 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 March 2015 | 1 January – 31 March 2014 |
|--|--------------------------------------|--------------------------------------|
| Rental income | | |
| Halkbank A.Ş. | 6,890,254 | 6,980,355 |
| Halk Faktoring AŞ | 60,926 | 166,928 |
| Halk Hayat ve Emeklilik AŞ | 21,428 | 19,564 |
| Halk Sigorta AŞ | 21,428 | 19,564 |
| Halk Yatırım AŞ | -- | 24,223 |
| Total | 6,994,036 | 7,210,634 |
| Interest income | | |
| Halkbank A.Ş. financial investment interest income | 393,686 | 1,567,357 |
| Halkbank A.Ş. time deposits interest income | 160,371 | 1,905,225 |
| Halk Yatırım AŞ | -- | 60,551 |
| Total | 554,057 | 3,533,133 |
| Interest expense | | |
| Halkbank A.Ş. | (408,620) | (456,084) |
| Total | (408,620) | (456,084) |
| Commission expense | | |
| Halk Yatırım A.Ş. | (527) | -- |
| Halk Portföy Yönetimi A.Ş. | -- | (15,000) |
| Total | (527) | (15,000) |
| Other expenses | | |
| Halk Sigorta AŞ | (57,401) | (39,519) |
| Halkbank A.Ş. | (10,296) | (4,674) |
| Halk Hayat ve Emeklilik A.Ş. | (3,739) | (2,348) |
| T.Halk Bankası Spor Kulübü | -- | (146,014) |
| Total | (71,436) | (192,555) |

For the interim period ended 31 March 2015, 47% of the revenue comprised the rent and interest income from the related parties (31 March 2014: 79%).

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

For the interim period ended 31 March 2015, total benefit which has been provided to Company's top executives is amounting to TL 207,759 (31 March 2014: TL 198,631).

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***5. CASH AND CASH EQUIVALENTS**

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

| | 31 March 2015 | 31 December 2014 |
|---|----------------------|-------------------------|
| Banks-Time deposits | 4,806,894 | 7,902,288 |
| Reverse repo | 463,406 | 424,195 |
| Other liquid assets ^(*) | 296,670 | 331,778 |
| Cash and cash equivalents in the statement of financial position | 5,566,970 | 8,658,261 |
| Interest income accruals on cash equivalents | (19,190) | -- |
| Cash and cash equivalents in the statement of cash flows | 5,547,780 | 8,658,261 |

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

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

| 31 March 2015 | Amount | Nominal interest rate (%) | Maturity |
|-----------------------------|------------------|----------------------------------|-----------------|
| <u>Time deposits</u> | | | |
| TL | 1,092,704 | 8.00 | 1 April 2015 |
| TL | 756,611 | 9.75 | 2 April 2015 |
| TL | 755,209 | 9.75 | 9 April 2015 |
| TL | 753,904 | 10.00 | 16 April 2015 |
| TL | 752,466 | 10.00 | 24 April 2015 |
| TL | 696,000 | 10.50 | 30 April 2015 |
| | 4,806,894 | | |
| 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 INTERIM PERIOD ENDED 31 MARCH 2015**

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

6. FINANCIAL INVESTMENTS

As at 31 March 2015 and 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 March 2015 | | | | |
| <i>Financial assets at fair value through profit or loss</i> | | | | |
| Bank bonds | 22,113,328 | 22,264,298 | 5 June 2015 | 8.49 |
| Total | 22,113,328 | 22,264,298 | | |
| Total financial investments | 22,113,328 | 22,264,298 | | |
| | 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 certificate | 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 | | |

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

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

7. TRADE RECEIVABLES AND TRADE PAYABLES

Trade receivables

The Company’s short term trade receivables consist of notes receivable from sale of residential units at Bakırköy Project and Panorama Plus Eskişehir amounting to TL 6,837,392 and TL 2,884,600 and other receivables amounting to TL 10,201 (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 amounting to TL 221,560 (31 December 2014: TL 317,535).

Trade payables

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

Short term trade payables

| | 31 March 2015 | 31 December 2014 |
|--|------------------|------------------|
| Other trade payables | 1,406,809 | 480,319 |
| Trade payables to related parties (Note 4) | 50,015 | 126,242 |
| Total | 1,456,824 | 606,561 |

8. INVENTORIES

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

| Land stocks | 31 December 2014 | | | 31 March 2015 | |
|---|--------------------|------------------|--------------------|--------------------|--|
| | Cost | Additions | Disposals | Cost | |
| İstanbul Bakırköy Land – Residence Project ⁽¹⁾ | 20,753,802 | -- | (2,017,124) | 18,736,678 | |
| Eskişehir- Odunpazarı Land – Residence Project ⁽²⁾ | 26,233,422 | 5,153,004 | -- | 31,386,426 | |
| Sancaktepe Konut Projesi ⁽³⁾ | 56,103,513 | 148,436 | -- | 56,251,949 | |
| Total | 103,090,737 | 5,301,440 | (2,017,124) | 106,375,053 | |

⁽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 both plot that the project takes place for construction servitude on 24 February 2015. As at 31 March 2015, 24 independent unit was sold amounting to TL 7,672,844 and cost of sales relating to these sales is amounting to TL 2,017,124 (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).

There are restrictions on the 44 residential units which are signed sales agreements under loan agreements of different financing institutions amounting to TL 15,823,550 (31 December 2014: TL 37,364,900) of agreement sales price.

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 March 2015 the deed transfer process of 116 independent units has been completed.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

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

8. INVENTORIES (continued)

(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.

(3) As at 16 October 2014, land in Sancaktepe/Istanbul was purchased amounting to TL 110,000,000 (Company share: TL 56,103,513) by Halk GYO-Vakıf GYO Adi Ortaklığı for real estate project. As at 31 March 2015, the project has not been started yet.

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

9. DEFERRED INCOME

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

| | 31 March 2015 | 31 December 2014 |
|---|-------------------|-------------------|
| Deferred residential sale income ⁽¹⁾ | 51,501,281 | 55,814,040 |
| Advances taken from subcontractors ⁽²⁾ | 18,200,000 | 18,200,000 |
| Deferred rental income | -- | 2,788,350 |
| Total short term deferred income | 69,701,281 | 76,802,390 |
| Deferred rental income | -- | -- |
| Total long term deferred income | -- | -- |
| | -- | -- |
| Total deferred income | 69,701,281 | 76,802,390 |

(1) Deferred residential unit sale income consist of TL 35,450,493 provided by sales of residences from LSRSA project realized on an estate located in Bakırköy and TL 16,050,788 provided by sales of residence project realized from Eskişehir-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 March 2015, TL 15,193,750 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 March 2015, 238 unit has been sold amounting to TL 172.7 Million and conveyance of title has been completed for 116 residential unit amounting to TL 95.1 Million.

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

10. INVESTMENT PROPERTY

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

| | 31 March 2015 | 31 December 2014 |
|--|--------------------|--------------------|
| Buildings | 324,494,684 | 324,780,865 |
| Investment property under construction | 416,332,406 | 388,750,496 |
| Total | 740,827,090 | 713,531,361 |

Insurance amount on investment properties as at 31 March 2015 is TL 197,645,029 (31 December 2014: TL 172,707,567).

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

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

10. INVESTMENT PROPERTY (continued)

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

| Investment property | Cost at 31 December 2014 | Additions | Disposals | Cost at 31 March 2015 | Amortisation at 31 December 2014 | Additions | Disposals | Depreciation at 31 March 2015 | Net book value at 31 March 2015 |
|---|-----------------------------|-------------------|-----------|--------------------------|-------------------------------------|----------------|-----------|----------------------------------|------------------------------------|
| İstanbul Karaköy Building | 23,500,000 | -- | -- | 23,500,000 | 160,367 | 9,464 | -- | 169,831 | 23,330,169 |
| İstanbul Salıpazarı Building | 22,000,000 | -- | -- | 22,000,000 | 288,450 | 17,023 | -- | 305,473 | 21,694,527 |
| İzmir Konak Building-1 | 13,400,000 | -- | -- | 13,400,000 | 269,006 | 15,949 | -- | 284,955 | 13,115,045 |
| Ankara Kızılay Building | 12,475,237 | -- | -- | 12,475,237 | 133,635 | 7,887 | -- | 141,522 | 12,333,715 |
| İstanbul Beyoğlu Building | 12,000,000 | -- | -- | 12,000,000 | 55,647 | 3,284 | -- | 58,931 | 11,941,069 |
| İstanbul Beşiktaş Building | 11,893,840 | -- | -- | 11,893,840 | 73,480 | 4,337 | -- | 77,817 | 11,816,023 |
| İstanbul Etiler Building | 11,000,000 | -- | -- | 11,000,000 | 51,065 | 3,014 | -- | 54,079 | 10,945,921 |
| İstanbul Şişli Building | 11,000,000 | -- | -- | 11,000,000 | 159,578 | 9,418 | -- | 168,996 | 10,831,004 |
| İzmir Konak Building-2 | 10,290,000 | -- | -- | 10,290,000 | 113,922 | 6,754 | -- | 120,676 | 10,169,324 |
| Ankara Başkent Building | 9,541,729 | -- | -- | 9,541,729 | 81,326 | 4,800 | -- | 86,126 | 9,455,603 |
| İstanbul Bakırköy Building | 9,023,500 | -- | -- | 9,023,500 | 78,030 | 4,605 | -- | 82,635 | 8,940,865 |
| Bursa Building | 8,500,000 | -- | -- | 8,500,000 | 92,963 | 5,484 | -- | 98,447 | 8,401,553 |
| Ankara Bahçelievler Building 1 | 6,681,356 | -- | -- | 6,681,356 | 120,553 | 7,117 | -- | 127,670 | 6,553,686 |
| Kocaeli Building | 6,519,193 | -- | -- | 6,519,193 | 57,064 | 3,383 | -- | 60,447 | 6,458,746 |
| İstanbul Fatih Building | 6,380,000 | -- | -- | 6,380,000 | 96,932 | 5,721 | -- | 102,653 | 6,277,347 |
| İstanbul Caddebostan Building | 6,300,000 | -- | -- | 6,300,000 | 270,675 | 16,048 | -- | 286,723 | 6,013,277 |
| Sakarya Adapazarı Building | 5,960,000 | -- | -- | 5,960,000 | 61,280 | 3,617 | -- | 64,897 | 5,895,103 |
| Ankara Bahçelievler Building 2 | 5,684,746 | -- | -- | 5,684,746 | 39,923 | 2,356 | -- | 42,279 | 5,642,467 |
| İstanbul Ataköy Building | 5,061,500 | -- | -- | 5,061,500 | 76,937 | 4,538 | -- | 81,475 | 4,980,025 |
| İstanbul Nişantaşı Building | 5,000,000 | -- | -- | 5,000,000 | 27,887 | 1,653 | -- | 29,540 | 4,970,460 |
| Ataşehir Finans Plaza | 126,548,795 | -- | -- | 126,548,795 | 1,670,311 | 149,729 | -- | 1,820,040 | 124,728,755 |
| Buildings total | 328,759,896 | -- | -- | 328,759,896 | 3,979,031 | 286,181 | -- | 4,265,212 | 324,494,684 |
| Levent Otel Project (a) | 63,656,372 | 14,618,481 | -- | 78,274,853 | -- | -- | -- | -- | 78,274,853 |
| İstanbul Ataşehir Land (b) | 261,705,522 | 135,280 | -- | 261,840,802 | -- | -- | -- | -- | 261,840,802 |
| Kocaeli Şekerpinar Land (c) | 63,388,602 | 12,828,149 | -- | 76,216,751 | -- | -- | -- | -- | 76,216,751 |
| Total investment property under construction | 388,750,496 | 27,581,910 | -- | 416,332,406 | -- | -- | -- | -- | 416,332,406 |
| Total | 717,510,392 | 27,581,910 | -- | 745,092,302 | 3,979,031 | 286,181 | -- | 4,265,212 | 740,827,090 |

- (a) In the current period, due to Hotel Project on Levent Land, construction expenses amounting to TL 14,165,344, project management expenses amounting to TL 450,722 agreement stamp tax and other duties amounting to TL 2,105 and other expenses amounting to TL 310 are capitalized on the cost of land.
- (b) In the current period, due to İstanbul Ataşehir Land Project, project management expenses amounting to TL 135,280 is capitalized on the cost of land.
- (c) In the current period, due to planned banking base on Kocaeli Şekerpinar Land, construction expenses amounting to TL 12,818,972, agreement stamp tax and other duties amounting to TL 260 and other expenses amounting to TL 8,917 are capitalized on the cost of land.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

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

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 |
| Ataşehir Finans Plaza | 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 Otel Project (a) | 38,045,288 | 25,611,084 | -- | 63,656,372 | -- | -- | -- | -- | 63,656,372 |
| İstanbul Ataşehir Land (b) | 239,427,053 | 22,278,469 | -- | 261,705,522 | -- | -- | -- | -- | 261,705,522 |
| Kocaeli Şekerpinar Land (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 land.
- (b) Due to Istanbul Ataşehir Land 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 land.
- (c) Due to planned banking base on Kocaeli Şekerpinar Land, 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 land.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞNOTES TO THE FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD ENDED 31 MARCH 2015*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***10. INVESTMENT PROPERTY (continued)**

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

| Investment property | 31 March 2015 | | 31 December 2014 | |
|---|--------------------|----------------------|--------------------|----------------------|
| | Net book value | Fair value | Net book value | Fair value |
| Istanbul Karaköy Building | 23,330,169 | 28,500,000 | 23,339,633 | 28,500,000 |
| Istanbul Salıpazarı Building | 21,694,527 | 43,400,000 | 21,711,550 | 43,400,000 |
| İzmir Konak Building 1 | 13,115,045 | 18,530,000 | 13,130,994 | 18,530,000 |
| Ankara Kızılay Building | 12,333,715 | 17,675,000 | 12,341,602 | 17,675,000 |
| Istanbul Beyoğlu Building | 11,941,069 | 19,270,000 | 11,944,353 | 19,270,000 |
| Istanbul Beşiktaş Building | 11,816,023 | 15,114,000 | 11,820,360 | 15,114,000 |
| Istanbul Etiler Building | 10,945,921 | 14,575,000 | 10,948,935 | 14,575,000 |
| Istanbul Şişli Building | 10,831,004 | 13,000,000 | 10,840,422 | 13,000,000 |
| İzmir Konak Building 2 | 10,169,324 | 12,600,000 | 10,176,078 | 12,600,000 |
| Ankara Başkent Building | 9,455,603 | 13,224,000 | 9,460,403 | 13,224,000 |
| Istanbul Bakırköy Building | 8,940,865 | 19,602,000 | 8,945,470 | 19,602,000 |
| Bursa Building | 8,401,553 | 10,865,000 | 8,407,037 | 10,865,000 |
| Ankara Bahçelievler Building 1 | 6,553,686 | 9,077,500 | 6,560,803 | 9,077,500 |
| Kocaeli Building | 6,458,746 | 8,567,000 | 6,462,129 | 8,567,000 |
| Istanbul Fatih Building | 6,277,347 | 9,050,000 | 6,283,068 | 9,050,000 |
| Istanbul Caddebostan Building | 6,013,277 | 7,165,000 | 6,029,325 | 7,165,000 |
| Sakarya Adapazarı Building | 5,895,103 | 8,212,050 | 5,898,720 | 8,212,050 |
| Ankara Bahçelievler Building 2 | 5,642,467 | 7,735,000 | 5,644,823 | 7,735,000 |
| Istanbul Ataköy Building | 4,980,025 | 10,290,000 | 4,984,563 | 10,290,000 |
| Istanbul Nişantaşı Building | 4,970,460 | 7,475,000 | 4,972,113 | 7,475,000 |
| Ataşehir Finans Plaza | 124,728,755 | 167,471,005 | 124,878,484 | 167,471,005 |
| Buildings total | 324,494,684 | 461,397,555 | 324,780,865 | 461,397,555 |
| Levent Otel Projesi | 78,274,853 | 108,160,115 | 63,656,372 | 108,160,115 |
| İstanbul Ataşehir Land | 261,840,802 | 574,633,400 | 261,705,522 | 574,633,400 |
| Kocaeli Şekerpinar Land | 76,216,751 | 72,197,400 | 63,388,602 | 72,197,400 |
| Total investment property under construction | 416,332,406 | 754,990,915 | 388,750,496 | 754,990,915 |
| Total | 740,827,090 | 1,216,388,470 | 713,531,361 | 1,216,388,470 |

- (a) Fair value of Kocaeli Şekerpinar Land was determined based on construction level on 12 December 2014. There is not any impairment provided as at 31 March 2015 due to the fact that when the project is finished, the estimated value of project would be TL 141,367,384.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

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

10. INVESTMENT PROPERTY (continued)

Buildings

i. İstanbul Karaköy Building

Istanbul 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 28,500,000 according to market value approach based on the report dated 9 December 2014 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 387,470 of rental income for the period started 1 January 2015 and ended 31 March 2015. The rent relation has ended up with Halk Faktoring A.Ş. as at 30 January 2015.

ii. İstanbul Salıpazarı Building

Istanbul Salıpazarı 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 Salıpazarı Building has been determined as TL 43,400,000 according to market value approach based on the report dated 9 December 2014 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 173,473 of rental income for the period started 1 January 2015 and ended 31 March 2015.

iii. İzmir Konak Building-1

Izmir Konak Corporate Building is registered to Konak/İzmir Akdeniz neighbourhood with 971 city block and 17th 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 18,530,000 according to market value approach based on the report dated 9 December 2014 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 310,217 of rental income for the period started 1 January 2015 and ended 31 March 2015.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

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

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 17,675,000 according to market value approach based on the report dated 12 December 2014 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company has rented second floor of this property to Halk Yatırım Menkul Değerler AŞ ("Halk Yatırım") and the other divisions to HalkBank. The Company earned TL 303,849 of rental income for the period started 1 January 2015 and ended 31 March 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 19,270,000 according to market value approach based on the report dated 9 December 2014 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 328,460 of rental income for the period started 1 January 2015 and ended 31 March 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 15,114,000 according to market value approach based on the report dated 9 December 2014 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 275,079 of rental income for the period started 1 January 2015 and ended 31 March 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 14,575,000 according to market value approach based on the report dated 9 December 2014 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 244,908 of rental income for the period started 1 January 2015 and ended 31 March 2015.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

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

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 13,000,000 according to market value approach based on the report dated 9 December 2014 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 244,908 of rental income for the period started 1 January 2015 and ended 31 March 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 12,600,000 according to market value approach based on the report dated 9 December 2014 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 Yatırım and other divisions to Halkbank. The Company earned TL 217,721 of rental income for the period started 1 January 2015 and ended 31 March 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 13,224,000 according to market value approach based on the report dated 25 December 2014 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 261,050 of rental income for the period started 1 January 2015 and ended 31 March 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 9 December 2014 dated report of a real estate valuation firm was licensed by CMB, the fair value of Bakırköy Building has been determined as TL 19,602,000 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 306,135 of rental income for the period started 1 January 2015 and ended 31 March 2015.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

(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 Ankara Bahçelievler Building has been determined as TL 10,865,000 according to market value approach based on the report dated 9 December 2014 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 191,845 of rental income for the period started 1 January 2015 and ended 31 March 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 9,077,500 according to market value approach based on the report dated 11 December 2014 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 167,354 of rental income for the period started 1 January 2015 and ended 31 March 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 8,567,000 according to market value approach based on the report dated 9 December 2014 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 204,090 of rental income for the period started 1 January 2015 and ended 31 March 2015.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

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FOR THE INTERIM PERIOD ENDED 31 MARCH 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 9,050,000 according to market value approach based on the report dated 9 December 2014 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 134,700 of rental income for the period started 1 January 2015 and ended 31 March 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 7,165,000 according to market value approach based on the report dated 9 December 2014 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 142,863 of rental income for the period started 1 January 2015 and ended 31 March 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 8,212,050 according to market value approach based on the report dated 11 December 2014 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 184,073 of rental income for the period started 1 January 2015 and ended 31 March 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 7,735,000 according to market value approach based on the report dated 9 December 2014 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 154,688 of rental income for the period started 1 January 2015 and ended 31 March 2015.

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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 10,290,000 according to market value approach based on the report dated 9 December 2014 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 175,517 of rental income for the period started 1 January 2015 and ended 31 March 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 7,475,000 according to market value approach based on the report dated 9 December 2014 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 122,454 of rental income for the period started 1 January 2015 and ended 31 March 2015.

xxi. Ataşehir Finans Plaza

Ataşehir Finans Plaza 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 Ataşehir Finans Plaza has been determined as TL 167,471,005 according to market value approach based on the report dated 26 December 2014 prepared by real estate appraisal company licensed by CMB. The Company rented this property to Halkbank and three-year rent of TL 33,460,200 has been taken in advance. The Company has recognized TL 2,788,350 of rental income for the period started 1 January 2015 and ended 31 March 2015.

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10. INVESTMENT PROPERTY (continued)

Investment property under construction

Levent Otel Project

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 fair value of Ataşehir Finans Plaza has been determined as TL 108,160,115 according to market value approach based on the report dated 11 December 2014 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Hotel Project on the land has been started with the agreement between Dedeman Turizm Yönetimi AŞ.

The Company has recognized TL 16,667 of advertising income from the related investment property for the period started 1 January 2015 and ended 31 March 2015.

Ataşehir Land

Ataşehir Land is registered to Ümraniye/İstanbul Küçükbakkalköy neighbourhood with 3323 city block and 3rd plot. It has a place of 57,462 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 574,633,400 according to market value approach based on the report dated 9 December 2014 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 Centre 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.

Kocaeli Şekerpinar Land

Kocaeli Şekerpinar Land is registered to Şekerpinar/Kocaeli neighbourhood with 420 block and 26 plot. It has place 15,652 m². The fair value of the investment property has been determined as TL 72,197,400 according to market value approach based on the report dated 22 October 2014 prepared by real estate appraisal company licensed by CMB. 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.

Operating leases

The Company as lessor

The Company has signed operating lease agreements with HalkBank, Halk Yatırım, Koton, Halk Sigorta, Pension Fund, Turkish Treasury, Halk Faktoring, and Ceda Akaryakıt Turizm as lessor.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

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*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***10. INVESTMENT PROPERTY (continued)****Operating leases (continued)***The Company as lessor (continued)*

The future minimum lease payments as at 31 March 2015 and 31 December 2014 under non-cancellable leases are as follows:

| | 31 March 2015 | 31 December 2014 |
|----------------------------|-------------------|-------------------|
| Less than one year | 24,245,642 | 25,573,539 |
| Between one and five years | 3,926,285 | 6,823,753 |
| More than five years | 412,503 | 575,785 |
| Total | 28,584,430 | 32,973,077 |

11. TANGIBLE ASSETS

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

| | 1 January 2015 | Additions | Disposals | 31 March 2015 |
|---------------------------------|------------------|-----------------|-----------|------------------|
| Cost | | | | |
| Furniture and fixtures | 1,119,413 | -- | -- | 1,119,413 |
| Leasehold improvements | 661,327 | -- | -- | 661,327 |
| | 1,780,740 | -- | -- | 1,780,740 |
| Accumulated depreciation | | | | |
| Furniture and fixtures | (385,003) | (6,359) | -- | (391,362) |
| Leasehold improvements | (480,342) | (67,031) | -- | (547,373) |
| | (865,345) | (73,390) | -- | (938,735) |
| | 915,395 | (73,390) | -- | 842,005 |

For the interim period ended 31 March 2015 no tangible assets were acquired.

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

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

| | 1 January 2014 | Additions | Disposals | 31 March 2014 |
|---------------------------------|------------------|------------------|-----------|------------------|
| Cost | | | | |
| Furniture and fixtures | 816,873 | 168,316 | -- | 985,189 |
| Leasehold improvements | 659,382 | 1,945 | -- | 661,327 |
| | 1,476,255 | 170,261 | -- | 1,646,516 |
| Accumulated depreciation | | | | |
| Furniture and fixtures | (170,155) | (47,806) | -- | (217,961) |
| Leasehold improvements | (208,640) | (66,990) | -- | (275,630) |
| | (378,795) | (114,796) | -- | (493,591) |
| | 1,097,460 | 55,465 | -- | 1,152,925 |

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

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*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***12. INTANGIBLE ASSETS**

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

| | 1 January 2015 | Additions | Disposals | 31 March 2015 |
|--|-----------------------|------------------|------------------|----------------------|
| <u>Cost</u> | | | | |
| Other intangible assets | 716,678 | 37,408 | -- | 754,086 |
| | 716,678 | 37,408 | -- | 754,086 |
| <u>Accumulated depreciation</u> | | | | |
| Other intangible assets | (12,745) | (2,851) | -- | (15,596) |
| | (12,745) | (2,851) | -- | (15,596) |
| | 703,933 | 34,557 | -- | 738,490 |

For the interim period ended 31 March 2015 intangible assets amounting TL 37,408 were acquired.

As at 31 March 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 March 2014 are as follows:

| | 1 January 2014 | Additions | Disposals | 31 March 2014 |
|--|-----------------------|------------------|------------------|----------------------|
| <u>Cost</u> | | | | |
| Other intangible assets | 227,361 | 183,329 | -- | 410,690 |
| | 227,361 | 183,329 | -- | 410,690 |
| <u>Accumulated depreciation</u> | | | | |
| Other intangible assets | (3,862) | (2,072) | -- | (5,934) |
| | (3,862) | (2,072) | -- | (5,934) |
| | 223,499 | 181,257 | -- | 404,756 |

13. LOANS AND BORROWINGS

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

| | 31 March 2015 | 31 December 2014 |
|---|----------------------|-------------------------|
| <u>Short-term financial liabilities:</u> | | |
| Short-term portion of long-term borrowings | 3,396,196 | 3,397,361 |
| Total short-term borrowings | 3,396,196 | 3,397,361 |
| <u>Long-term borrowings:</u> | | |
| Long-term bank loans | 12,856,941 | 13,340,555 |
| Total long-term liabilities | 12,856,941 | 13,340,555 |
| Total financial liabilities | 16,253,137 | 16,737,916 |

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

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

13. LOANS AND BORROWINGS (continued)

Financial debt repayment schedule is as follows:

| | 31 March 2015 | 31 December 2014 |
|-------------------|-------------------|-------------------|
| Less than 1 year | 3,396,196 | 3,397,361 |
| 1–2 between years | 3,071,548 | 3,073,017 |
| 2–3 between years | 2,778,675 | 2,779,488 |
| 3–4 between years | 2,513,904 | 2,514,646 |
| 4–5 between years | 2,274,001 | 2,274,931 |
| More than 5 years | 2,218,813 | 2,698,473 |
| Total | 16,253,137 | 16,737,916 |

31 March 2015:

| Currency | Nominal interest rate (%) | Maturity | Short-term | Long-term |
|-------------------|---------------------------|----------|------------------|-------------------|
| TL ⁽¹⁾ | 8 | 2021 | 3,396,196 | 12,856,941 |
| Total | | | 3,396,196 | 12,856,941 |

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 September 8 2011).

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 March 2015, The Company is subject of two labour law suits and one administrative suit which has been filed against the Company. A possible claim against the Company is not expected.

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.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS****FOR THE INTERIM PERIOD ENDED 31 MARCH 2015***(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)***14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)**

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

| | 31 March 2015 | | 31 December 2014 | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Original amount | Book value | Original amount | Book value |
| A. Commitments given in the name of own legal entity ⁽¹⁾ | 150,974,551 | 150,974,551 | 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 | 150,974,551 | 150,974,551 | 150,849,009 | 150,849,009 |

⁽¹⁾ The mortgages have been given to Halkbank related to loan used for the Ataşehir Finans Plaza amounting to TL 150,000,000 (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) and guarantee letter given for road accession commitment of Levent Dedeman Otel Project amounting to TL 294,353 (31 December 2014: TL 263,811), guarantee letter given for electricity supply commitment of Eskişehir Project amounting to TL 6,750 and guarantee letter given for Kocaeli project amounting to TL 673,338 (31 December 2014: TL 6,750 and TL 578,448).

As at 31 December 2014 and 31 December 2013, the details of letter of guarantees are presented below:

| | 31 March 2015 | 31 December 2014 |
|---|-------------------|-------------------|
| Haldız İnşaat Otomotiv ve Tic Ltd.Şti ⁽²⁾ | 13,635,000 | 13,635,000 |
| Ericsson Telekomünikasyon AŞ ⁽¹⁾ | 10,407,718 | 9,245,910 |
| K Yapı Gayrimenkul Geliştirme İnş. San. ve Dış Tic. AŞ ⁽¹⁾ | 9,913,239 | 9,913,239 |
| Biskon Yapı AŞ ⁽³⁾ | 8,960,400 | 8,960,400 |
| Dedeman Turizm Yönetimi AŞ ⁽²⁾ | 5,661,800 | 5,641,400 |
| İlgazlar İnşaat Tic. Ve San. AŞ ⁽⁶⁾ | 4,608,991 | 5,189,392 |
| Seyaş Sey Mimarlık Mühendislik Müşavirlik AŞ ⁽⁴⁾ | 3,261,000 | 3,950,000 |
| Entegre Proje Yönetim Dan. Müh.Tic. AŞ | 949,000 | 569,000 |
| Borusan Makine ve Güç Sistemleri San.ve Tic. AŞ ⁽¹⁾ | 720,181 | 717,586 |
| Koton Mağazacılık Tekstil San ve Tic AŞ ⁽⁵⁾ | 412,503 | 300,000 |
| Megapol Mühendislik Tic. AŞ ⁽¹⁾ | 198,000 | 243,000 |
| Proplan Proje Yönetim AŞ ⁽⁴⁾ | 124,181 | 124,181 |
| Other | 350,185 | 310,618 |
| Total | 59,202,198 | 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 Şekerpinar 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⁾ İlgazlar İnşaat is contractor company of Eskişehir Panorama Project.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS****FOR THE INTERIM PERIOD ENDED 31 MARCH 2015**

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15. EMPLOYEE BENEFITS

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

| Long-term liabilities | 31 March 2015 | 31 December 2014 |
|---------------------------------|----------------------|-------------------------|
| Provision for employee benefits | 150,398 | 130,142 |
| Total | 150,398 | 130,142 |
| Short-term liabilities | 31 March 2015 | 31 December 2014 |
| Vacation pay liability | 232,786 | 184,088 |
| Employee premium provision | 623,327 | 492,513 |
| Total | 856,113 | 676,601 |

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 March 2015 and 31 December 2014:

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

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*(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)***16. PREPAID EXPENSES, OTHER CURRENT, NON-CURRENT ASSETS****Prepaid expenses**

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

| | 31 March 2015 | 31 December 2014 |
|--|----------------------|-------------------------|
| Prepaid insurance expenses | 129,992 | 192,728 |
| Prepaid advertising and promotion expenses | 114,619 | 12,563 |
| Other | 34,037 | 39,621 |
| Total short term prepaid expenses | 278,648 | 244,912 |
| Investment advances ^(*) | 13,245,839 | 19,604,382 |
| Other | 26,056 | 12,459 |
| Total long term prepaid expenses | 13,271,895 | 19,616,841 |
| Total prepaid expenses | 13,550,543 | 19,861,753 |

(*) As at 31 March 2015, advances given consist of followings, due to the planned banking base Project on Kocaeli Şekerpinar Land, advance amounting TL 6,728,149 (31 December 2014: TL 9,539,007) is given to the contractor architecture and engineering company, due to the Dedeman Otel Project advance amounting TL 2,512,697 (31 December 2014: TL 5,394,588) is given to the contractor architecture and engineering company, due to the IFM Project advance amounting TL 1,854,763 (31 December 2014: TL 1,868,291) is given to the contractor architecture and project administration firms, due to the Eskişehir Project advance amounting TL 1,974,950 (31 December 2014: TL 2,802,496) is given to the contractor architecture and project administration firms and due to the Sancaktepe Project advance amounting TL 175,280 (31 December 2014: None) is given.

Other current assets

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

| | 31 March 2015 | 31 December 2014 |
|----------------------------------|----------------------|-------------------------|
| Deferred value added tax (“VAT”) | 23,433,931 | 19,897,516 |
| Deposits and guarantees given | 37,135 | 35,140 |
| Advances given | 21,233 | 7,357 |
| Other | 281,221 | 478,695 |
| Total | 23,773,520 | 20,418,708 |

Other non-current assets

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

| | 31 March 2015 | 31 December 2014 |
|----------------------------------|----------------------|-------------------------|
| Deferred value added tax (“VAT”) | 9,927,223 | 9,901,360 |
| Total | 9,927,223 | 9,901,360 |

As at 31 March 2015, VAT receivable amounting to TL 9,927,223 caused by purchasing Sancaktepe land of Halk GYO-Vakıf GYO Adi Ortaklığı is classified to “other non-current assets”.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

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17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

17.1. Paid in capital

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

| | Group | 31 March 2015 | | 31 December 2014 | |
|------------------------------|-------|---------------|--------------------|------------------|--------------------|
| | | Share % | Amount | Share % | Amount |
| Halkbank A.Ş. | A | 1.58 | 11,027,324 | 1.58 | 11,027,324 |
| Halkbank A.Ş. | B | 70.38 | 491,197,355 | 70.38 | 491,197,355 |
| Halk Yatırım A.Ş. | A | 0.04 | 263,358 | 0.04 | 263,358 |
| Halk Finansal Kiralama A.Ş. | A | <0.01 | 1 | <0.01 | 1 |
| Publicly held ^(*) | B | 28.00 | 195,411,962 | 28.00 | 195,411,962 |
| Pain in capital | | 100.00 | 697,900,000 | 100.00 | 697,900,000 |

(*) Halkbank has 42.620.098 B group shares with the share rate of 6.11 on publicly held (31 December 2013: 41.138.487).

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 697,900,000 and had been portioned to 697,900,000 shares. All capital value has been subscribed by the founders; amounting to TL 196,217,979 has been paid as cash 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.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

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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 19,675,318 (31 December 2014: 19,675,318 shares).

As at 31 March 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 | -- |
| Total own shares acquired | | 19,675,318 | 1.26 | 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 6,132,217 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 March 2015, the Company's restricted reserves are legal reserves and amounting to TL 28,363,063 (31 December 2014: TL 28,363,063).

17.5. Dividend

None.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS****FOR THE INTERIM PERIOD ENDED 31 MARCH 2015***(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***18. REVENUE AND COST OF SALES**

For the interim periods ended 31 March 2015 and 31 March 2014, revenue is as follows:

| | 1 January – 31 March 2015 | 1 January – 31 March 2014 |
|--|--------------------------------------|--------------------------------------|
| Income from sales of residence | 7,672,844 | 1,254,849 |
| Rental income | 7,337,370 | 7,600,257 |
| Total property income | 15,010,214 | 8,855,106 |
| Income from financial assets at fair value through profit and loss | 855,471 | 614,667 |
| Interest income on deposits | 160,371 | 1,994,210 |
| Interest income from financial assets available for sale financial assets | -- | 483,606 |
| Interest income from held to maturity financial assets | -- | 1,571,394 |
| Total income from debt securities | 1,015,842 | 4,663,877 |
| Total revenue | 16,026,056 | 13,518,983 |

For the interim periods ended 31 March 2015 and 31 March 2014 cost of sales are as follows:

| | 1 January – 31 March 2015 | 1 January – 31 March 2014 |
|--|--------------------------------------|--------------------------------------|
| Cost of residence sales | 2,017,124 | 371,561 |
| Depreciation expense | 286,181 | 286,181 |
| Other | 72,468 | 33,182 |
| Total cost of property | 2,375,773 | 690,924 |
| Expense from financial assets at fair value through profit and loss | 461,785 | 582,291 |
| Commission expenses | 10,830 | 57,213 |
| Total cost of borrowing instruments | 472,615 | 639,504 |
| Total cost of sales | 2,848,388 | 1,330,428 |

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***19. ADMINISTRATIVE EXPENSES**

For the interim periods ended 31 March 2015 and 31 March 2014, administrative expenses are as follows:

| | 1 January – 31 March 2015 | 1 January – 31 March 2014 |
|--------------------------------|--------------------------------------|--------------------------------------|
| Personnel expenses | 1,458,530 | 1,051,782 |
| Tax and duties expenses | 154,301 | 42,405 |
| Outsourced service expenses | 139,964 | 129,951 |
| Rent expenses | 110,439 | 100,575 |
| Travel and rent a car expenses | 89,852 | 65,528 |
| Advertisement expenses | 80,653 | 148,318 |
| Amortisation expenses | 76,241 | 116,868 |
| Consultancy expenses | 76,137 | 105,917 |
| Office and IT related expenses | 27,320 | 28,837 |
| Maintenance expenses | 17,342 | 5,204 |
| Sponsorship expenses | -- | 146,014 |
| Other expenses | 13,958 | 8,804 |
| Total | 2,244,737 | 1,950,203 |

Personnel expenses

| | 1 January – 31 March 2015 | 1 January – 31 March 2014 |
|-----------------------------|--------------------------------------|--------------------------------------|
| Salaries and wages | 1,086,689 | 769,164 |
| Social security payroll tax | 147,346 | 113,119 |
| Attendance fee | 51,192 | 56,623 |
| Other | 173,303 | 112,876 |
| Total | 1,458,530 | 1,051,782 |

20. OTHER OPERATING INCOME / (EXPENSES)

For the interim periods ended 31 March 2015 and 31 March 2014 other operating income / (expense) are as follows:

| | 1 January – 31 March 2015 | 1 January – 31 March 2014 |
|--------------------------------|--------------------------------------|--------------------------------------|
| Other operating income | | |
| Foreign exchange gains | 324,109 | 276,622 |
| Other operating expense | | |
| Foreign exchange expenses | (378,064) | (562,781) |

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

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

21. FINANCIAL EXPENSES

For the interim periods ended 31 March 2015 and 31 March 2014, financial expenses are as follows:

| | 1 January – 31 March 2015 | 1 January – 31 March 2014 |
|-------------------|------------------------------|------------------------------|
| Interest expenses | 408,620 | 456,084 |
| Total | 408,620 | 456,084 |

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 March 2015 | 1 January – 31 March 2014 |
|-----------------------------------|------------------------------|------------------------------|
| Net profit for the period | 10,470,356 | 9,496,109 |
| Weighted average number of shares | 697,900,000 | 673,638,704 |
| Earnings per share | 0.01500 | 0.01410 |

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.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 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 March 2015, credit risk exposure of financial assets is as follows:

| 31 March 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) | -- | 9,953,753 | -- | -- | 5,566,970 | 22,264,298 | -- | 37,785,021 |
| A. Net carrying value of financial assets which are neither impaired nor overdue | -- | 9,953,753 | -- | -- | 5,566,970 | 22,264,298 | -- | 37,785,021 |
| 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.) | -- | -- | -- | -- | -- | -- | -- | -- |
| - Overdue (gross book value) | -- | -- | -- | -- | -- | -- | -- | -- |
| - Impairment (-) | -- | -- | -- | -- | -- | -- | -- | -- |
| - Covered portion of net book value (with letter of guarantee etc.) | -- | -- | -- | -- | -- | -- | -- | -- |
| D. Off balance sheet items with credit risks | -- | -- | -- | -- | -- | -- | -- | -- |

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 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 | | | | 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) | -- | 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.) | -- | -- | -- | -- | -- | -- | -- | -- |
| - Overdue (gross book value) | -- | -- | -- | -- | -- | -- | -- | -- |
| - Impairment (-) | -- | -- | -- | -- | -- | -- | -- | -- |
| - Covered portion of net book value (with letter of guarantee etc.) | -- | -- | -- | -- | -- | -- | -- | -- |
| D. Off balance sheet items with credit risks | -- | -- | -- | -- | -- | -- | -- | -- |

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE INTERIM PERIOD ENDED 31 MARCH 2015

*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***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 | | | | | | |
|---|-----------------------|--|-----------------------|---------------------------|--------------------------|--------------------------|
| | 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 |
| 31 March 2015 | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Loans and borrowings | 16,253,137 | 21,778,585 | 895,010 | 2,685,031 | 14,320,167 | 3,878,377 |
| Total | 16,253,137 | 21,778,585 | 895,010 | 2,685,031 | 14,320,167 | 3,878,377 |

| Expected maturities | | | | | | |
|---|-----------------------|-------------------------------------|-----------------------|---------------------------|--------------------------|--------------------------|
| | Carrying value | Total of expected cash flows | Up to 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years |
| 31 March 2015 | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Trade payables | 1,456,824 | 1,456,824 | 1,456,824 | -- | -- | -- |
| Total | 1,456,824 | 1,456,824 | 1,456,824 | -- | -- | -- |

| Contractual maturities | | | | | | |
|---|-----------------------|--|-----------------------|---------------------------|--------------------------|--------------------------|
| | 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 |
| 31 December 2014 | | | | | | |
| <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 |
| Total | 16,737,916 | 22,673,596 | 895,010 | 2,685,031 | 14,320,167 | 4,773,388 |

| Expected maturities | | | | | | |
|---|-----------------------|-------------------------------------|-----------------------|---------------------------|--------------------------|--------------------------|
| | Carrying value | Total of expected cash flows | Up to 3 months | 3 months to 1 year | 1 year to 5 years | More than 5 years |
| 31 December 2014 | | | | | | |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Trade receivables | 606,561 | 606,561 | 606,561 | -- | -- | -- |
| Total | 606,561 | 606,561 | 606,561 | -- | -- | -- |

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 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

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

| | 31 March 2015 | 31 December 2014 |
|------------------------------------|----------------------|-------------------------|
| | (Balance TL) | (Balance TL) |
| Total foreign currency assets | 6,278,525 | 5,901,343 |
| Total foreign currency liabilities | (1,142,787) | (1,372,565) |
| Net exposure | 5,135,738 | 4,528,778 |

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FOR THE INTERIM PERIOD ENDED 31 MARCH 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)

Foreign currency risk (continued)

| | 31 March 2015 | | | | 31 December 2014 | | | |
|---|--------------------------------|------------------|--------------|------------|--------------------------------|------------------|--------------|------------|
| | TL (functional currency) | USD | EURO | GBP | TL (functional currency) | USD | EURO | GBP |
| 1. Trade receivables | 1,240,558 | 475,273 | -- | -- | 1,424,338 | 614,230 | -- | -- |
| 2a. Monetary financial assets | 101,255 | 38,299 | 100 | 260 | 91,233 | 38,332 | 500 | 260 |
| 2b. Non-monetary financial assets | 4,876,677 | 1,868,316 | -- | -- | 4,332,437 | 1,868,316 | -- | -- |
| 3. Other | -- | -- | -- | -- | -- | -- | -- | -- |
| 4. CURRENT ASSETS | 6,218,490 | 2,381,888 | 100 | 260 | 5,848,008 | 2,520,878 | 500 | 260 |
| 5. Trade receivables | 60,035 | 23,000 | -- | -- | 53,335 | 23,000 | -- | -- |
| 6a. Monetary financial assets | -- | -- | -- | -- | -- | -- | -- | -- |
| 6b. Non-monetary financial assets | -- | -- | -- | -- | -- | -- | -- | -- |
| 7. Other | -- | -- | -- | -- | -- | -- | -- | -- |
| 8. NON-CURRENT ASSETS | 60,035 | 23,000 | -- | -- | 53,335 | 23,000 | -- | -- |
| 9. TOTAL ASSETS | 6,278,525 | 2,404,888 | 100 | 260 | 5,901,343 | 2,543,878 | 500 | 260 |
| 10. Trade payables | 1,142,787 | 434,883 | 2,704 | -- | 1,372,565 | 588,614 | 2,704 | -- |
| 11. Financial liabilities | -- | -- | -- | -- | -- | -- | -- | -- |
| 12a. Monetary other liabilities | -- | -- | -- | -- | -- | -- | -- | -- |
| 12b. Non-monetary liabilities | -- | -- | -- | -- | -- | -- | -- | -- |
| 13. Short-term liabilities | 1,142,787 | 434,883 | 2,704 | -- | 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 | 1,142,787 | 434,883 | 2,704 | -- | 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 | -- | -- | -- | -- | -- | -- | -- | -- |
| 21. Monetary accounts net foreign currency asset/liabilities position (1+2a+5+6a-10-11-12a-14-15-16a) | -- | -- | -- | -- | -- | -- | -- | -- |
| 22. Fair value of financial assets used for foreign currency hedge | -- | -- | -- | -- | -- | -- | -- | -- |
| 23. Hedged foreign currency assets amount | 5,135,738 | 1,970,005 | (2,604) | 260 | 4,528,778 | 1,955,264 | (2,204) | 260 |
| 24. Hedged foreign currency liabilities amount | 259,061 | 101,689 | (2,604) | 260 | 196,341 | 86,948 | (2,204) | 260 |

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NOTES TO THE FINANCIAL STATEMENTS

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(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)

Foreign currency risk (continued)

Foreign currency sensitivity analysis:

| 31 March 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) | 26,543 | (26,543) | 26,543 | (26,543) |
| 2-USD proportion hedged from changes (-) | -- | -- | -- | -- |
| 3-USD net effect (1+ 2) | 26,543 | (26,543) | 26,543 | (26,543) |
| 10% change in EURO against TL; | | | | |
| 4-EURO net assets/(liabilities) | (737) | 737 | (737) | 737 |
| 5-EURO proportion hedged from changes (-) | -- | -- | -- | -- |
| 6-EURO net effect (4+ 5) | (737) | 737 | (737) | 737 |
| 10% change in GBP against TL; | | | | |
| 7-GBP net assets/(liabilities) | 100 | (100) | 100 | (100) |
| 8-GBP proportion hedged from changes (-) | -- | -- | -- | -- |
| 9-GBP net effect (7+ 8) | 100 | (100) | 100 | (100) |
| Total (3+6+9) | 25,906 | (25,906) | 25,906 | (25,906) |
| 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) | 20,162 | (201,624) | 20,162 | (20,162) |
| 2-USD proportion hedged from changes (-) | -- | -- | -- | -- |
| 3-USD net effect (1+ 2) | 20,162 | (20,162) | 20,162 | (20,162) |
| 10% change in EURO against TL; | | | | |
| 4-EURO net assets/(liabilities) | (622) | 622 | (622) | 622 |
| 5-EURO proportion hedged from changes (-) | -- | -- | -- | -- |
| 6-EURO net effect (4+ 5) | (622) | 622 | (622) | 622 |
| 10% change in GBP against TL; | | | | |
| 7-GBP net assets/(liabilities) | 94 | (94) | 94 | (94) |
| 8-GBP proportion hedged from changes (-) | -- | -- | -- | -- |
| 9-GBP net effect (7+ 8) | 94 | (94) | 94 | (94) |
| Total (3+6+9) | 19,634 | (19,634) | 19,634 | (19,634) |

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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 March 2015 and 31 December 2014:

| | 31 March 2015 | 31 December 2014 |
|---|----------------------|-------------------------|
| <i>Financial instruments with fixed interest rates</i> | | |
| Financial assets | 27,071,192 | 45,831,057 |
| <i>Time deposits</i> | 4,806,894 | 7,902,288 |
| <i>Bank bonds</i> | 22,264,298 | 34,841,163 |
| <i>Lease certificate</i> | -- | 3,087,606 |
| Financial liabilities | 16,253,137 | 16,737,916 |

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

| | 31 March 2015 | 31 December 2014 |
|-------------------------------------|----------------------|-------------------------|
| <i>Financial instruments</i> | | |
| Time deposits –TL | 9.54% | 8.11% |
| Financial investment-TL | 8.43% | 8.58% |
| Loans and borrowings-TL | 8.00% | 8.00% |

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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 March 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.

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25. FINANCIAL INSTRUMENTS (continued)

Financial liabilities

Loans and borrowings

As at 31 March 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 March 2015 | | 31 December 2014 | |
|-------------------------------------|------|----------------|------------|------------------|------------|
| | Note | Carrying value | Fair value | Carrying value | Fair value |
| <i>Financial assets</i> | | | | | |
| Trade receivables | 7 | 9,953,753 | 9,916,262 | 12,301,751 | 12,254,151 |
| <i>Financial liabilities</i> | | | | | |
| Loans and borrowings | 13 | 16,253,137 | 16,156,948 | 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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE INTERIM PERIOD ENDED 31 MARCH 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 March 2015 | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|-------------------|----------------|----------------|-------------------|
| <i>Financial investments:</i> | | | | |
| Bank bond | 22,264,298 | -- | -- | 22,264,298 |
| Total financial assets | 22,264,298 | -- | -- | 22,264,298 |

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

26. SUBSEQUENT EVENTS

By the General Assembly Meeting as at 17 April 2015, the Company decided to pay dividend amounting to TL 5,960,066 as cash and bonus share distribution amounting to TL 45,100,000 after legal reserve transferred from retained earnings.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO AS AT 31 MARCH 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 31 March 2015, the Company complied with the restrictions that stated on the paragraph “a, c, ç d and e” of 24th substance, 28th 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 March 2015 (TL) | 31 December 2014 (TL) |
|-----------|---|----------------------------------|------------------------------|------------------------------|
| A | Monetary and capital market instruments | Serial: III-48.1, Article 24/(b) | 27,831,268 | 46,587,030 |
| B | Real estates, based on real estates, rights based on real estates | Serial: III-48.1, Article 24/(a) | 847,202,143 | 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 | | 59,901,348 | 65,197,538 |
| D | Total assets | Serial: III-48.1, Article 3/(k) | 934,934,759 | 928,406,666 |
| E | Loans and borrowings | Serial: III-48.1, Article 31 | 16,253,137 | 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 | 838,264,251 | 827,793,895 |
| | Other liabilities | | 80,417,371 | 83,874,855 |
| D | Total liabilities and equity | Serial: III-48.1, Article 3/(k) | 934,934,759 | 928,406,666 |
| | Other financial information | Regulations | 31 December 2014 (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) | 5,270,300 | 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 | -- | -- |
| K | Mortgage amounts on land that project to be developed and the ownership does not belong 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 MARCH 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 March 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 | 90.62% | 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 | 2.98% | 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 | 1.94% | 2.02% |
| 8 | Time Deposit/ Demand Deposit/ TL / Foreign Currency | Serial: III-48.1, Article24/(b) | (A2-A1)/D | Maximum %10 | 0.56% | 0.90% |