

**HALK GAYRİMENKUL YATIRIM
ORTAKLIĞI A.Ş.**

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE INTERIM
PERIOD ENDED 31 MARCH 2017 AND
INDEPENDENT AUDITOR'S REVIEW REPORT**

**(Convenience Translation of Financial Statements and
Auditor's Review Report Originally Issued in Turkish)**

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

**REPORT ON REVIEW OF INTERIM
FINANCIAL INFORMATION**

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

Introduction

We have reviewed the accompanying statement of financial position of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (the "Company") and its joint operations (together the "Group") as of 31 March 2017 and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with Turkish Accounting Standards. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

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

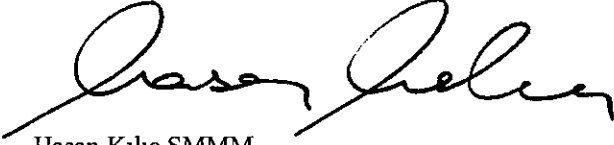
Other Matter

The audit of the Group's financial statements for the year ended 31 December 2016 and the review of interim period ended 31 March 2016 were performed by another audit firm. The previous audit firm has expressed an unmodified opinion on the financial statements as of and for the year ended 31 December 2016 and unmodified review conclusion as of and for the period ended 31 March 2017 signed on 13 February 2017 and 29 April 2016, respectively.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. and its joint operations as of 31 March 2017, and of their financial performance and their cash flows for the three-month period then ended in accordance with Turkish Accounting Standards.

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



Hasan Kılıç SMMM
Partner

İstanbul, 9 May 2017

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HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

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

		Reviewed	Audited
		31 March 2017	31 December 2016
ASSETS	<i>Notes</i>		
CURRENT ASSETS		262,303,343	233,670,563
Cash and cash equivalents	5	61,008,271	51,301,426
Trade receivables	6	12,192,216	16,867,810
- <i>Other</i>		12,192,216	16,867,810
Inventories	7	171,531,136	152,820,902
Prepaid expenses	15	432,491	386,883
- <i>Related parties</i>	4	337,630	220,227
- <i>Other</i>		94,861	166,656
Current tax assets		1,163,558	919,613
Other current assets	15	15,975,671	11,373,929
- <i>Related parties</i>	4	983	416
- <i>Other</i>		15,974,688	11,373,513
NON-CURRENT ASSETS		1,627,617,658	1,621,169,412
Trade receivables	6	46,161,294	35,274,459
- <i>Other</i>		46,161,294	35,274,459
Investment properties	9	1,507,659,654	1,505,807,691
Prepaid expenses	15	52,280,155	56,127,988
- <i>Other</i>		52,280,155	56,127,988
Tangible assets	10	367,178	421,443
Intangible assets	11	268,552	316,274
Other non-current assets		20,880,825	23,221,557
- <i>Related parties</i>	15	20,880,825	23,221,557
TOTAL ASSETS		1,889,921,001	1,854,839,975

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

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

		Reviewed	Audited
		31 March 2017	31 December 2016
LIABILITIES	<i>Notes</i>		
CURRENT LIABILITIES		40,722,200	31,496,435
Current portion of long term borrowings	12	3,404,636	3,397,355
- <i>Borrowings from related parties</i>	4	3,404,636	3,397,355
Trade payables	6	488,493	534,202
- <i>Related parties</i>	4	141,090	63,264
- <i>Other</i>		347,403	470,938
Short term portions of employee benefits	14	961,831	801,155
Deferred revenue		30,814,901	21,520,181
- <i>Other</i>	8	30,814,901	21,520,181
Other current liabilities		5,052,339	5,243,542
- <i>Other</i>		5,052,339	5,243,542
NON-CURRENT LIABILITIES		207,992,300	193,147,796
Long term borrowings	12	8,564,279	9,152,608
- <i>Borrowings from related parties</i>	4	8,564,279	9,152,608
Long term portions of employee benefits	14	300,261	202,050
Deferred revenue		199,127,760	183,793,138
- <i>Other</i>	8	199,127,760	183,793,138
EQUITY	16	1,641,206,501	1,630,195,744
Share capital		790,000,000	790,000,000
Treasury shares		(22,271,814)	(22,271,814)
Share premium		49,945,096	49,945,096
Other comprehensive income that will not be reclassified to profit or loss		649	649
<i>Deferred benefit plan actuarial gains</i>		649	649
Restricted reserves		37,486,655	37,486,655
Retained earnings		775,035,158	667,368,102
Net profit for the period		11,010,757	107,667,056
TOTAL LIABILITIES		1,889,921,001	1,854,839,975

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD ENDED 31 MARCH 2017**

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

		Reviewed	Reviewed
	<i>Notes</i>	1 January – 31 March 2017	1 January – 31 March 2016
Revenue	17	21,682,198	19,273,889
Cost of sales	17	(3,931,004)	(3,427,351)
Gross profit		17,751,194	15,846,538
General administrative expenses	18	(5,751,601)	(2,241,165)
Marketing, selling and distribution expenses	19	(1,178,793)	(1,569,560)
Other operating income from main activities	20	696,713	16,689
Other operating loss from main activities	20	(191,403)	(39,866)
Operating profit		11,326,110	12,012,636
Finance costs	21	(315,353)	(377,315)
Profit before tax		11,010,757	11,635,321
Tax benefit / (charge)	22	--	--
NET PROFIT FOR THE PERIOD		11,010,757	11,635,321
Earnings per share	23	0.01394	0.01566
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income that will not be reclassified to profit or loss</i>		--	--
Deferred benefit plan actuarial gains		--	--
Other comprehensive income		--	--
TOTAL COMPREHENSIVE INCOME		11,010,757	11,635,321

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

		Share capital	Treasury shares	Share premium	Deferred benefit plan actuarial gains	Restricted reserves	Retained earnings for the period	Net profit for the period	Total
	Notes								
Balance at 1 January 2016	13	743,000,000	(20,946,784)	49,945,096	3,446	32,833,600	17,189,603	57,423,905	879,448,866
Transfer to reserves		--	--	--	--	--	57,423,905	(57,423,905)	--
Total comprehensive income		--	--	--	--	--	--	11,635,321	11,635,321
Balance at 31 March 2016		743,000,000	(20,946,784)	49,945,096	3,446	32,833,600	74,613,508	11,635,321	891,084,187
Balance at 1 January 2017	13	790,000,000	(22,271,814)	49,945,096	649	37,486,655	667,368,102	107,667,056	1,630,195,744
Transfer to reserves		--	--	--	--	--	107,667,056	(107,667,056)	--
Total comprehensive income		--	--	--	--	--	--	11,010,757	11,010,757
Balance at 31 March 2017		790,000,000	(22,271,814)	49,945,096	649	37,486,655	775,035,158	11,010,757	1,641,206,501

Other comprehensive income that will not be reclassified to profit or loss

Accumulated profit

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2017**

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

		Reviewed	Reviewed
		1 January –	1 January –
	Notes	31 March 2017	31 March 2016
Cash flows from operating expenses			
Net profit for the period		11,010,757	11,635,321
Adjustments related with net profit reconciliation:			
Adjustments to depreciation	10	60,309	52,986
Adjustments to amortization	11	47,722	53,198
Adjustments to provisions		258,887	219,090
Adjustments to interest income and expenses		(1,018,711)	(1,012,266)
Changes in working capital			
Adjustments to the increase/(decrease) in inventories	7	(18,710,234)	507,677
Adjustments to the increase/(decrease) in trade receivables	6	(6,211,241)	(11,535,817)
Adjustments to the decrease in prepaid expenses	15	3,802,225	492,931
Adjustments to the increase/(decrease) in other assets		(2,504,955)	1,583,730
Adjustments to the decrease in trade payables	6	(45,709)	(740,497)
Adjustments to the increase in deferred revenues	8	24,629,342	49,405,867
Adjustments to the increase in other liabilities		(191,203)	(418,967)
Cash flows related to the operating activities			
Dividend received		--	1,004,911
Interest received		1,480,184	--
Net cash provided from operating activities		12,607,373	51,248,164
Cash flows used in investing activities			
Cash payments for acquisitions of tangible assets	10	(6,044)	(5,623)
Cash payments for acquisitions of investment properties		(1,851,963)	(2,278,147)
Net cash used in investing activities		(1,858,007)	(2,283,770)
Cash flows from financing activities			
Interest paid	21	(315,353)	(377,315)
Repayments of borrowings		(581,048)	(550,866)
Net cash used in financing activities		(896,401)	(928,181)
Increase in cash and cash equivalents		9,852,965	48,036,213
Cash and cash equivalents at the beginning of the period		50,787,686	16,393,667
Cash and cash equivalents at the end of the period		60,640,651	64,429,880

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

The main activity of Halk Gayrimenkul Yatırım Ortaklığı AŞ (the "Company") is to invest in properties, property projects, rights on properties, property related capital market instruments and other rights and assets as deem appropriate by the Capital Markets Board of Turkey's ("CMB"). The Company and its joint operations are referred as the Group in this report (please also refer to Note 2.3 and Note 3).

In accordance with the relevant articles of the CMB's Communiqué on the Principles of Real Estate Investment Trusts, the main objective of the Company is to invest in properties, property projects, property rights and capital market instruments.

The operations of the Group, its portfolio management policies and limitations are consistent with the regulatory requirements of the CMB. Investment property portfolio of the Group consists of lands and rental properties which are used as bank branches and bank headquarter. The Company obtained its licence to operate by the CMB's approval dated 24 September 2010 and numbered 9546, and registered with the CMB.

The registered capital ceiling of the Company is TL 1,500,000,000. The paid in capital of the Company is TL 790,000,000 of which TL 196,217,979 was paid in cash whereas TL 513,282,021 was paid in kind and TL 80,500,000 was incorporated from reserves internally appropriated.

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

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

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

The Company has applied to the CMB by 29 August 2012 for the purpose of initial public offering of the increasing amount of B group of shares TL 185,500,000 notional amount which is increased from TL 477,000,000 issued capital of the Company to TL 662,500,000 within TL 1,500,000,000 registered capital ceiling. Application was approved in accordance with the decision promulgated by CMB's numbered 4/97 on 8 February 2013. As at 13-15 February 2013 there has been an initial public offering of B group shares of TL 185,500,000 notional amount by restricting the existent shareholders for purchasing the new shares. After the collection of the demand the Company's shares started to trade in Borsa İstanbul at 22 February 2013.

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

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

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

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

Dividend payment:

As of the date of this report, the Company has not taken a decision for dividend payment. The dividend distribution is subject to approval at the annual General Meeting of Shareholders.

Approval of financial statements:

Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 9 May 2017. General Assembly has the authority to modify the financial statements.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of presentation

Statement of compliance

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

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

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Currency used

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.

2.2 New and Revised Turkish Accounting Standards

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

None.

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

None.

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

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

TFRS 9

*Financial Instruments*¹

TFRS 15

*Revenue from Contracts with Customers*¹

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

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

2.2 New and Revised Turkish Accounting Standards (cont'd)

c) New and revised TAS in issue but not yet effective (cont'd)

TFRS 15 Revenue from Contracts with Customers

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

The five steps in the model are as follows:

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

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

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

2.3 Summary of significant accounting policies

Accounting for joint operations

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

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

2.3 Summary of significant accounting policies (cont'd)

Accounting for joint operations (cont'd)

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

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

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

Revenue and expenses

Revenue is recognized when the economic benefits from sales flow to the Group and it is reliably measured. The following conditions are met in the recognition of the revenue.

Rental income from investment property

Rental income generated from real estate development projects are recognized on accrual basis. Revenue is recognised if it is probable that the economic benefit associated with these transactions will flow to the Group or the amount of revenue can be measured reliably. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

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

2.3 Summary of significant accounting policies (cont'd)

Revenue and expenses (cont'd)

Sale of lands

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

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

The Company recognizes revenue from the sale of land by "Land Sale of Revenue Sharing Agreement" (LSRSA) when transfer of legal ownership of land is transferred to the buyer. When the legal ownership is not transferred, the Company books its share of revenue as deferred income 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 in the statement of profit or loss.

Revenue

Revenue consists of rental income from real estate, investment property 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 under the heading of financial instruments.

Revenue is recognised when the significant risks and rewards of ownership of the investment properties 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 meet the above criteria.

Interest income

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

Other income and expense

Other income and expenses are 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 offset against the borrowing costs. All other borrowing costs are recognised in profit or loss in the period which they are incurred.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

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

2.3 Summary of significant accounting policies (cont'd)

Inventories

Inventories are measured at the lower of cost or net realizable value. As at the balance sheet date, cost components included in the inventory consist of the cost of land and construction costs which is held for sale of the residence projects of the Group.

The Company enters into revenue sharing agreements with construction entities in order to increase sales proceeds from the sales of idle lands. These lands which are subject to revenue sharing agreements ("LSRSA") are accounted for 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 measurable.

Tangible assets

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

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

Intangible assets

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

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

Derecognition of intangible assets

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

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

2.3 Summary of significant accounting policies (cont'd)

Impairment of Tangible and Intangible Assets Other Than Goodwill

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

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

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

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

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

2.3 Summary of significant accounting policies (cont'd)

Investment properties

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

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

If an owner occupied property is reclassified as investment property, the Group accounts for such property in accordance with the policy stated under Property and Equipment up to the date of the reclassification.

Leasing

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

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee

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

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

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

2. **BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)**
- 2.3 **Summary of significant accounting policies (cont'd)**

Financial Instruments

Financial assets

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Cash and cash equivalents

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

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

2.3 Summary of significant accounting policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Earnings per share

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

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

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

2.3 Summary of significant accounting policies (cont'd)

Events after balance sheet date

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

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

Provisions, contingent liabilities and contingent assets

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

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

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

Taxation

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

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

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

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

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

2.3 Summary of significant accounting policies (cont'd)

Taxation (cont'd)

Deferred tax

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

Employee benefits

Termination and retirement benefits:

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

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

Statement of cash flows

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

Capital and Dividends

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

2.4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In particular, the management made the following significant accounting estimates and assumptions in adopting the accounting policies:

Useful lives of property, plant and equipment

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

Provisions

As of 31 March 2017, the Group management has provided a retirement pay provision amounting to TL 300,261 and unused vacation accruals amounting to TL 266,731 (Note 14).

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

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

3. JOINT OPERATIONS

As at 31 March 2017 and 31 December 2016, shareholding of the Group in the joint operation is as follows:

Voting right in the joint operation	31 March 2017	31 December 2016
Halk GYO-Vakıf GYO Adi Ortaklığı	50%	50%
Halk GYO-Erkonut Adi Ortaklığı	50%	50%

Halk GYO-Vakıf GYO Adi Ortaklığı

Halk GYO-Vakıf GYO Adi Ortaklığı has founded in Turkey for operating as a joint operation with 50% shares and 50% voting right. The financial information of Halk GYO-Vakıf GYO is summarized in the following tables. The financial information of Halk GYO-Vakıf GYO as per the %50 shareholding and %50 voting rights is as follows:

	31 March 2017	31 December 2016
Non-current assets	11,022,587	56,212,076
Current assets	150,024,401	113,175,403
Current liabilities	(3,861,685)	(2,745,975)
Non-current liabilities	(158,287,606)	(171,312,519)
Equity	19,925	19,925
Net assets	(1,082,378)	(4,651,090)

	31 March 2017	31 December 2016
Income	--	--
Expenses	(1,082,378)	(4,651,090)
Net profit	(1,082,378)	(4,651,090)

Halk GYO-Erkonut Adi Ortaklığı

Halk GYO-Erkonut Adi Ortaklığı has founded in Turkey for operating as a joint operation with 50% shares and 50% voting right. The financial information of Halk GYO-Erkonut is summarized in the following tables. The financial information of Halk GYO-Erkonut as per the %50 shareholding and %50 voting rights is as follows:

	31 March 2017	31 December 2016
Non-current assets	61,147,369	13,626,495
Current assets	8,228,843	46,046,528
Current liabilities	(726,508)	(871,588)
Non-current liabilities	(68,605,154)	(58,902,340)
Equity	(50,000)	(50,000)
Net assets	(5,450)	(150,905)

	31 March 2017	31 December 2016
Income	--	--
Expenses	5,450	(150,905)
Net profit	5,450	(150,905)

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR
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4. RELATED PARTY DISCLOSURES

Due from / to related parties

	31 March 2017	31 December 2016
Banks – demand deposits		
Halkbank	776,304	812,955
Banks – time deposits		
Halkbank	59,920,002	49,757,297
Banks – other liquid assets		
Halkbank	193,049	154,128
Total	60,889,355	50,724,380
Prepaid expenses		
Halk Sigorta AŞ	337,630	216,938
Halk Hayat ve Emeklilik AŞ	--	3,289
Other current assets		
Halkbank	983	416
Capitalization of expenses on investments properties		
Halkbank	--	118
Total	338,613	220,761
Financial borrowings		
Halkbank – short term	3,404,636	3,397,355
Halkbank – long term	8,564,279	9,152,618
Total	11,968,915	12,549,973
Dur to related parties		
Halk Sigorta AŞ	127,715	46,773
Halkbank	13,375	16,491
Total	141,090	63,264

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS FOR
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(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

4. RELATED PARTY DISCLOSURES (cont'd)**Income and expenses from related parties**

	1 January – 31 March 2017	1 January – 31 March 2016
<i>Rental income</i>		
Halkbank	9,910,871	9,737,723
Halk Hayat ve Emeklilik AŞ	23,998	22,855
Halk Sigorta AŞ	--	22,855
Total	9,934,869	9,783,433
<i>Interest income</i>		
Halkbank vadeli mevduat faiz geliri	1,472,549	849,093
Total	1,472,549	849,093
<i>Interest expense</i>		
Halkbank	(315,353)	(377,315)
Total	(315,353)	(377,315)
<i>Other expenses</i>		
Halk Sigorta AŞ	(208,533)	(90,066)
Halk Hayat ve Emeklilik AŞ	(3,666)	(1,924)
Halkbank	(2,527)	(277)
Total	(214,726)	(92,267)

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

	1 January – 31 March 2017	1 January – 31 March 2016
Benefits provided to top management	308,219	139,432
Total	308,219	139,432

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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5. CASH AND CASH EQUIVALENTS

As at 31 March 2017 and 31 December 2016 cash and cash equivalents are as follows:

	31 March 2017	31 December 2016
Banks-Time deposits	60,025,719	50,290,076
Banks-Demand deposits	782,003	844,566
Other liqued assets (*)	200,549	166,784
Cash and cash equivalents in the statement of financial position	61,008,271	51,301,426
Interest income accruals on cash equivalents	(367,620)	(513,740)
Cash and cash equivalents in the statement of cash flows	60,640,651	50,787,686

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

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

31 March 2017	Amount	Interest rate	Maturity
Time deposits			
TL	2,198,099	8%	3 April 2017
TL	4,000,000	9%	6-20 April 2017
TL	2,000,000	10%	27 April 2017
TL	40,001,850	12%	6 April-11 May 2017
TL	11,825,770	13%	27 April-1 June 2017
	60,025,719		
31 December 2016	Amount	Interest rate	Maturity
Time deposits			
TL	6,669,261	8%	2 January 2017
TL	19,033	8.25%	2 January 2017
TL	8,010,520	8.75%	12-19 January 2017
TL	4,093,068	10.75%	19 January 2017
TL	21,306,617	10.80%	5-19 January 2017
TL	10,191,577	11%	5-19 January 2017
	50,290,076		

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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6. TRADE RECEIVABLES AND TRADE PAYABLES

The Group's short term trade receivables from sale of residences and rental income at Referans Bakırköy Project, Bizimtepe Aydos Project and Erzurum Şehristan Project respectively amounting to TL 876,571, TL 7,801,522, TL 2,125,207 and other receivables amounting to TL 1,388,916 (31 December 2016: Bakırköy Project TL 2,022,256, Panorama Plus Eskişehir TL 10,902,192, Bizimtepe Aydos Project TL 996,980, and other receivables amounting to TL 2,946,082).

The Group's long-term trade receivables from sale of residences at Bakırköy Project, Bizimtepe Aydos Project and Erzurum Şehristan Project respectively amounting to TL 16,025,100, TL 26,831,089, TL 536,728 and other receivables amounting to TL 2,768,377 (31 December 2016: Bakırköy Project TL 6,060,202 and Bizimtepe Aydos Project TL 29,062,160 and TL 152,097).

Trade payables

As at 31 March 2017 and 31 December 2016, trade payables are as follows:

	31 March 2017	31 December 2016
Other trade payables	347,403	470,938
Trade payables to related parties (Note 4)	141,090	63,264
Total	488,493	534,202

Risk characteristics and levels of trade receivables and trade payables are disclosed in Note 24.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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7. INVENTORIES

As at 31 March 2017 and 31 December 2016, inventories are as follows:

Land stocks	31 December 2016			31 March 2017
	Cost	Addition	Disposal	Cost
Istanbul Bakırköy Land -				
Referans Bakırköy Konut Project ⁽¹⁾	6,146,720	2,721,435	(2,547,463)	6,320,692
Eskişehir- Odunpazarı Land -				
Panorama Plus Konut Project ⁽²⁾	14,106,470	--	(1,202,623)	12,903,847
Sancaktepe - Konut Project ⁽³⁾	101,399,353	18,981,857	--	120,381,210
Erzurum - Şehristan Project ⁽⁴⁾	31,168,359	757,028	--	31,925,387
Total	152,820,902	22,460,320	(3,750,086)	171,531,136

⁽¹⁾ The Group has arranged a bid to develop a project on Bakırköy Land as Land Sale of Revenue Sharing Agreement (LSRSA) and as a consequence signed a contract with a firm on 17 February 2012. The Group registered for each plot that the project takes place for construction servitude on 24 February 2014. During 2017, 27 independent unit was sold amounting to TL 5,219,408 and cost of sales relating to these sales is amounting to TL 2,547,463 (31 December 2016: 52 independent unit sold amounting to TL 14,015,299 and cost of sales relating to these sales is amounting to TL 3,914,355).

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

Referans Bakırköy Project plans which first construction permission was obtained as at 31 May 2012 and still under construction have been modified to provide 254 residential and 73 commercial units, as opposed to prior 256 residential and 70 commercial units and the modification permission of the revised project has been approved by relevant authorities as at 19 September 2013. As at 31 March 2017, the deed transfer process of 263 independent units has been completed.

⁽²⁾ Eskişehir Odunpazarı Land is registered to Odunpazarı/Eskişehir neighbourhood with 1452 block 89 plot and 90 plot. It has place 13,073 m2. Eskişehir Odunpazarı Land is registered to 110 plot with change at the partition plan at 22 March 2013. The Group has acquired the plot belongs to Eskişehir Municipality within new 110 plot cost value of TL 668,000 at 22 March 2013 and registered previously named 89 plot and 90 plot as 110 plot. Due to new partition plan investment property is entrusted from 13,073 m2 registered as 9,811 m2. After entrusting, description of the plot has changed to land from factory building. The deeds of floor easement of 97 residential and 5 commercial units were taken as of 30 December 2014. During 2017, 3 independent units were sold amounting to TL 1,452,600 and cost of sales relating to these sales is amounting to TL 1,202,623 (As at 31 March 2016, 7 independent unit was sold amounting to TL 3,116,000 and cost of sales relating to these sales is amounting to TL 2,658,278).

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

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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8. DEFERRED REVENUE

As at 31 March 2016 and 31 December 2015, the details of long and short term deferred income are as follow:

	31 March 2017	31 December 2016
Deferred residential sale income ⁽¹⁾	30,814,901	21,520,181
Total	30,814,901	21,520,181

	31 March 2017	31 December 2016
Deferred residential sale income ⁽²⁾	199,127,760	183,793,138
Total	199,127,760	183,793,138

Deferred residential sales income consist of TL 29,111,364 generated from the sales of residences from LSRSA project realized on an estate located in Bakırköy and TL 1,703,537 generated from the sales of residence project realized from Eskisehir-Odunpazarı Project. As per the Group's LSRSA agreement, 50.5% share of the revenue from sales is collected by the Group. Referans Bakırköy Project consists of 254 residential and 73 commercial units. As of 31 March 2017, 318 units have been sold for TL 210.7 Million and transfer of title deeds has been completed for 263 residential units with the value of TL 179.8 Million.

⁽²⁾Total long term deferred income consist of TL 163,137,037 and TL 35,990,723 generated from the sales of residences from Bizimtepe Aydos Project and Erzurum Şehristan Project. The Group has signed preliminary sales contracts for 685 units for Bizimtepe Aydos Project and 254 units for Erzurum Şehristan Project.

9. INVESTMENT PROPERTIES

As at 31 March 2017 and 31 December 2016, the details of investment properties are as follow:

	31 March 2017	31 December 2016
Buildings	849,528,303	859,345,116
Investment properties under development	658,131,351	646,462,575
Total	1,507,659,654	1,505,807,691

Fair value measurement

The fair values of investment properties were determined by market comparison method. The fair value measurement of investment properties is classified as level 2. Generally, the appraised property is compared to the sales of similar properties in the open market. The bid or ask prices may may well be considered.

Insurance on the investment properties as at 31 March 2017 is TL 1,423,298,475 (31 December 2016: TL 245,334,793).

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE INTERIM PERIOD ENDED 31 MARCH 2017**

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9. INVESTMENT PROPERTIES (cont'd)

As at 31 March 2017, the movements of the investment properties are as follows:

	31 December 2016				31 March 2017
	Fair value	Addition	Transfer	Disposal	Fair value
Investment properties					
Istanbul Karaköy Building	32,600,000	--	--	--	32,600,000
Istanbul Salıpaazarı Building	49,362,000	1,206,466	--	--	50,568,466
İzmir Konak Building-1	25,130,000	--	--	--	25,130,000
Ankara Kızılay Building	17,013,475	--	--	--	17,013,475
Istanbul Beyoğlu Building	24,555,000	--	--	--	24,555,000
Istanbul Beşiktaş Building	18,320,000	--	--	--	18,320,000
Istanbul Etiler Building	16,766,000	--	--	--	16,766,000
Istanbul Şişli Building	15,135,034	--	--	--	15,135,034
İzmir Konak Building-2	14,842,000	--	--	--	14,842,000
Ankara Başkent Building	11,854,750	--	--	--	11,854,750
Istanbul Bakırköy Building	21,500,350	--	--	--	21,500,350
Bursa Building	13,200,000	--	--	--	13,200,000
Ankara Bahçelievler Building 1	9,860,000	--	--	--	9,860,000
Kocaeli Building	11,862,000	--	--	--	11,862,000
Istanbul Fatih Building	11,253,750	--	--	--	11,253,750
Istanbul Caddestogan Building	11,225,000	--	(11,225,000)	--	--
Sakarya Adapazarı Building	10,875,000	--	--	--	10,875,000
Ankara Bahçelievler Building 2	8,100,000	--	--	--	8,100,000
Istanbul Ataköy Building	11,260,000	--	--	--	11,260,000
Istanbul Nişantaşı Building	8,549,250	--	--	--	8,549,250
Halkbank Finance Tower	186,636,280	--	--	--	186,636,280
Park Dedeman Levent Hotel	165,378,233	--	--	--	165,378,233
Kocaeli Şekerpinar Block A	88,704,000	--	--	--	88,704,000
Eskişehir Panaroma Plus Project - Block D	4,199,760	--	--	--	4,199,760
Eskişehir Panaroma Plus Project - Block B17	862,650	--	--	--	862,650
Kocaeli Şekerpinar Office Project	70,300,584	201,721	--	--	70,502,305
Total Building	859,345,116	1,408,187	(11,225,000)	--	849,528,303
Istanbul Finance Centeer Project	646,462,575	443,526	--	--	646,906,101
Istanbul Caddestogan Building	--	250	11,225,000	--	11,225,250
Total investment properties					
under development					
	646,462,575	443,776	11,225,000	--	658,131,351
Total	1,505,807,691	1,851,963	--	--	1,507,659,654

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS FOR
THE INTERIM PERIOD ENDED 31 MARCH 2017**

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

9. INVESTMENT PROPERTIES (cont'd)

	31 December 2015	Addition	Transfer	Fair value 31 December 2016	Fair value difference	Fair value
Investment properties	Fair value					
İstanbul Karaköy Building	30,000,000	--	--	2,600,000	2,600,000	32,600,000
İstanbul Sahpazarı Building	46,680,000	330,483	--	2,351,517	2,351,517	49,362,000
İzmir Konak Building-1	21,382,200	--	--	3,747,800	3,747,800	25,130,000
Ankara Kızılay Building	16,200,000	--	--	813,475	813,475	17,013,475
İstanbul Beyoğlu Building	22,000,000	--	--	2,555,000	2,555,000	24,555,000
İstanbul Beşiktaş Building	16,030,000	--	--	2,290,000	2,290,000	18,320,000
İstanbul Etiler Building	16,200,000	--	--	566,000	566,000	16,766,000
İstanbul Şişli Building	14,325,000	--	--	810,034	810,034	15,135,034
İzmir Konak Building-2	13,470,000	--	--	1,372,000	1,372,000	14,842,000
Ankara Başkent Building	11,000,000	--	--	854,750	854,750	11,854,750
İstanbul Bakırköy Building	20,865,000	--	--	635,350	635,350	21,500,350
Bursa Building	11,860,000	--	--	1,340,000	1,340,000	13,200,000
Ankara Bahçelievler Building 1	9,000,000	--	--	860,000	860,000	9,860,000
Kocaeli Building	10,544,000	--	--	1,318,000	1,318,000	11,862,000
İstanbul Fatih Building	10,000,000	--	--	1,253,750	1,253,750	11,253,750
İstanbul Caddebostan Building	18,690,000	--	--	(7,465,000)	(7,465,000)	11,225,000
Sakarya Adapazarı Building	9,032,500	--	--	1,842,500	1,842,500	10,875,000
Ankara Bahçelievler Building 2	7,650,000	--	--	450,000	450,000	8,100,000
İstanbul Ataköy Building	10,975,000	--	--	285,000	285,000	11,260,000
İstanbul Nişantaşı Building	8,200,000	--	--	349,250	349,250	8,549,250
Ataşehir Finance Tower	181,205,360	--	--	5,430,920	5,430,920	186,636,280
Park Dedeman Levent Hotel	145,107,568	--	--	20,270,665	20,270,665	165,378,233
Kocaeli Şekerpınar Banking Center	82,521,600	--	--	6,182,400	6,182,400	88,704,000
Eskişehir Panaroma Plus Project - Block D	4,177,025	--	--	22,735	22,735	4,199,760
Eskişehir Panaroma Plus Project - Block B17	649,863	--	--	212,787	212,787	862,650
Kocaeli Şekerpınar Office Project	--	--	70,649,391	(348,807)	(348,807)	70,300,584
Total Building	737,765,116	330,483	70,649,391	50,600,126	50,600,126	859,345,116
İstanbul Finance Center Project	632,096,740	3,266,683	--	11,099,152	11,099,152	646,462,575
Kocaeli Şekerpınar Office Project	67,592,931	3,056,460	(70,649,391)	--	--	--
Total investment properties under development	699,689,671	6,323,143	(70,649,391)	11,099,152	11,099,152	646,462,575
Toplam	1,437,454,787	6,653,626	--	61,699,278	61,699,278	1,505,807,691

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

9. INVESTMENT PROPERTIES (cont'd)

Buildings

İstanbul Karaköy Building

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

The value of the investment property has been determined as TL 23,500,000 according to the report dated 13 November 2009 prepared by real estate appraisal company licensed by 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 32,600,000 according to market value approach based on the report dated 13 December 2016 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 363,825 of rental income for the period started 1 January 2017 and ended 31 March 2017.

İstanbul Salıpazarı Building

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

The value of the investment property was determined as TL 22,000,000 according to the report dated 13 November 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Salıpazarı Building was determined as TL 49,362,000 according to the market value approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company earned TL 115,879 of rental income for the period of 1 January 2017 - 31 March 2017. The Company signed an agreement with Beril Otelcilik Turizm ve Tic. Ltd. Şti. to rent Salıpazarı Building as a hotel. The alterations permit was granted on 6 January 2017 and the transformation process to renovate it as a hotel is ongoing.

İzmir Konak Building-1

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

The value of the investment property has been determined as TL 13,400,000 according to the report dated 9 December 2009 prepared by real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Konak Corporate Building was determined as TL 25,130,000 according to the market value approach based on the report dated 14 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 330,750 of rental income for the period of 1 January 2017 - 31 March 2017.

Ankara Kızılay Building

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

The value of the investment property was determined as TL 12,475,237 according to the report dated 11 February 2010 prepared by the experts assigned by the Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Kızılay Building and Service Building was determined as TL 17,013,475 according to the market value approach based on the report dated 23 December 2016 prepared by real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company has rented this property to HalkBank. The Company earned TL 333,900 of rental income for the period of 1 January 2017 - 31 March 2017.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

9. INVESTMENT PROPERTIES (cont'd)

Buildings (cont'd)

İstanbul Beyoğlu Building

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

The value of the investment property was determined as TL 12,000,000 according to the report dated 9 December 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Beyoğlu Building was determined as TL 24,555,000 according to the market value approach based on the report dated 14 Aralık 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented 2nd, 3rd, 4th, 5th and 6th floors of this property to Turkish Treasury and other divisions to Halkbank. The Company earned TL 360,270 of rental income for the period 1 January 2017 - 31 March 2017.

İstanbul Beşiktaş Building

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

The value of the investment property was determined as TL 11,893,840 according to the report dated 3 February 2010 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 27 October 2010 by Halkbank. The fair value of Beşiktaş Building was determined as TL 18,320,000 according to the market value approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 315,000 of rental income for the period 1 January 2017 - 31 March 2017.

İstanbul Etiler Building

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

The value of the investment property was determined as TL 11,000,000 according to the report dated 13 November 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 27 October 2010 by Halkbank. The fair value of Etiler Building was determined as TL 16,766,000 according to the market value approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 245,700 of rental income for the period 1 January 2017 - 31 March 2017.

İstanbul Şişli Building

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

The value of the investment property was determined as TL 11,000,000 according to the report dated 9 December 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Şişli Building was determined as TL 15,135,034 according to the market value approach based on the report dated 16 December 2016 prepared by real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 242,550 of rental income for the period 1 January 2017 - 31 March 2017.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

9. INVESTMENT PROPERTIES (cont'd)

Buildings (cont'd)

İzmir Konak Building-2

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

The value of the investment property was determined as TL 10,290,000 according to the report dated 9 December 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Konak Building has been determined as TL 14,842,000 according to the market value approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented a part of the investment property to Halkbank and other part of the investment property to Halk Hayat ve Emeklilik A.Ş. The Company earned TL 207,486 of rental income for the period 1 January 2017 - 31 March 2017.

Ankara Başkent Building

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

The value of the investment property was determined as TL 9,541,729 according to the report dated 11 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Başkent Building was determined as TL 11,854,750 according to the market value approach based on the report dated 16 December 2016 prepared by a real estate appraisal company licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank and Ceda Akaryakıt. The Company earned TL 263,773 of rental income for the period 1 January 2017 - 31 March 2017.

İstanbul Bakırköy Building

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

The value of the investment property was determined as TL 9,023,500 according to the report that was prepared at 5 February 2010 by the experts assigned by Commercial Court and it was devolved as capital in kind at 28 October 2010 by Halkbank. According to 16 December 2016 dated report of a real estate valuation firm licensed by the CMB, the fair value of Bakırköy Building was determined as TL 21,500,350 according to the market value approach. There is no restriction on this investment property. The Company has rented this property to Halkbank. The Company earned TL 346,500 of rental income for the period 1 January 2017 - 31 March 2017.

Bursa Building

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

The value of the investment property has been determined as TL 8,500,000 according to the report dated 11 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Bursa Building has been determined as TL 13,200,000 according to market value approach based on the report dated 16 December 2016 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 232,470 of rental income for the period started 1 January 2017 and ended 31 March 2017.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

9. INVESTMENT PROPERTIES (cont'd)

Buildings (cont'd)

Ankara Bahçelievler Building-1

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

The value of the investment property was determined as TL 6,681,356 according to the report dated 11 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Ankara Bahçelievler Building has been determined as TL 9,860,000 according to the market value approach based on the report dated 13 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 175,455 of rental income for the period 1 January 2017 - 31 March 2017.

Kocaeli Building

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

The value of the investment property was determined as TL 6,519,193 according to the report dated 12 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Kocaeli Building was determined as TL 11,862,000 according to the market value approach based on the report dated 214 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 220,500 of rental income for the period 1 January 2017 - 31 March 2017.

İstanbul Fatih Building

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

The value of the investment property was determined as TL 6,380,000 according to the report dated 9 December 2009 prepared by real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Fatih Building was determined as TL 11,253,750 according to the market value approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 157,500 of rental income for the period 1 January 2017 - 31 March 2017.

İstanbul Caddebostan Building

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

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

9. INVESTMENT PROPERTIES (cont'd)

Buildings (cont'd)

Sakarya Adapazarı Building

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

The value of the investment property was determined as TL 5,960,000 according to the report dated 11 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Adapazarı Building was determined as TL 10,875,000 according to the market value approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 201,380 of rental income for the period 1 January 2017 - 31 March 2017.

Ankara Bahçelievler Building-2

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

The value of the investment property was determined as TL 5,684,746 according to the report dated 11 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Bahçelievler Building has been determined as TL 8,100,000 according to the market value approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş ("Koton"). The Company earned TL 176,095 of rental income for the period 1 January 2017 - 31 March 2017.

İstanbul Ataköy Building

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

The value of the investment property was determined as TL 5,061,500 according to the report dated 5 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Ataköy Building has been determined as TL 11,260,000 according to the market value approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 194,513 of rental income for the period 1 January 2017 - 31 March 2017.

İstanbul Nişantaşı Building

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

The value of the investment property was determined as TL 5,000,000 according to the report dated 3 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Nişantaşı Building has been determined as TL 8,549,250 according to the market value approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 132,300 of rental income for the period 1 January 2017 - 31 March 2017.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

9. INVESTMENT PROPERTIES (cont'd)

Buildings (cont'd)

Halkbank Finans Tower

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

The fair value of Halkbank Finance Tower was determined as TL 186.636.280 according to the market value approach based on the report dated 27 December 2016 prepared by a real estate appraisal firm licensed by the CMB. The Company has recognized TL 4,365,760 of rental income for the period 1 January 2017 - 31 March 2017.

Park Dedeman Levent Hotel

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

The Company rented this property to Dedeman Turizm Yönetimi A.Ş. The Company has recognized TL 2,782,425 of rental income for the period 1 January 2017 - 31 March 2017.

Kocaeli Şekerpınar Block A

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

The Company has recognized TL 1,416,311 of rental income for the period 1 January 2017 - 31 March 2017.

Eskişehir- Panorama Plus Konut Project – Block D

Eskişehir Block D is registered with Odunpazarı/Eskişehir neighbourhood with 13,124 block and 1 plot. There is no restriction on this investment property. Occupancy permit for Eskişehir Block D was received as of 28 August 2015. The Company signed 10-year lease agreement with Migros Ticaret A.Ş. on 20 August 2015. Within the frame of related lease agreement, starting date of lease is determined as the same date of the opening. The fair value of this investment property was determined as TL 4,199,760 according to the market value approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. The Company earned TL 46,986 of rental income for the period 1 January 2017 - 31 March 2017.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

9. INVESTMENT PROPERTIES (cont'd)

Buildings (cont'd)

Eskişehir– Panaroma Plus Konut Project –Block B17

Eskişehir Block B is registered with Odunpazarı/Eskişehir neighbourhood with 13,124 block and 1 plot. There is no restriction on this investment property. Occupancy permit for Eskişehir Block B was received as of 2 November 2015. The Company signed a lease agreement amounted to TL 6,000+VAT with a real person on 1 November 2015. The fair value of the investment property was determined as TL 862,650 according to the market value approach based on the report dated 16 December 2016 prepared by a real estate appraisal firm licensed by the CMB. The Company earned TL 18,900 of rental income for the period 1 January 2017 - 31 March 2017.

Kocaeli Şekerpinar Office Project

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

Investment properties under construction

İstanbul Finance Center Project

Ataşehir Land is registered with Ümraniye/İstanbul Küçükbakkalköy neighbourhood with 3328 city block and 3rd plot with 28,732 m2 at the deed register. The value of the investment property was determined as TL 229,846,920 according to the report dated 18 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Ataşehir Land has been determined as TL 646,462,575 according to the market value approach based on the report dated 22 December 2016 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company applied for construction licence on 31 December 2014.

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

Operating leases

The Company as lessor

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

	31 March 2017	31 December 2016
Less than one year	51,547,827	47,668,231
Between one and five years	147,460,972	151,368,362
More than five years	204,776,581	50,827,720
Total	403,785,380	249,864,313

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10. TANGIBLE ASSETS

Movement schedule of tangible assets for the period 1 January 2017 - 31 March 2017 is as follows:

	1 January 2017	Additions	Disposals	31 March 2017
Cost				
Furniture and fixture	1,168,158	6,044	--	1,174,202
Leashold improvements	661,327	--	--	661,327
	1,829,485	6,044	--	1,835,529
Accumulated depreciation				
Furniture and fixture	(746,715)	(60,309)	--	(807,024)
Leashold improvements	(661,327)	--	--	(661,327)
	(1,408,042)	(60,309)	--	(1,468,351)
	421,443	(54,265)	--	367,178

For the interim period ended 31 March 2017 tangible assets acquired amounted to TL 6,044.

As at 31 March 2017, total insurance on tangible assets amounting TL 1,140,000 (31 December 2016: TL 1,400,000).

Useful life of tangible assets is 5 years.

Movement schedule of tangible assets for the period from 1 January 2016 to 31 March 2016 are as follows:

	1 January 2016	Additions	Disposals	31 March 2016
Cost				
Furniture and fixture	1,133,691	5,623	--	1,139,314
Leashold improvements	661,327	--	--	661,327
	1,795,018	5,623	--	1,800,641
Accumulated depreciation				
Furniture and fixture	(545,968)	(52,986)	--	(598,954)
Leashold improvements	(661,327)	--	--	(661,327)
	(1,207,295)	(52,986)	--	(1,260,281)
	587,723	(47,363)	--	540,360

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11. INTANGIBLE ASSETS

Movement schedule of intangible assets for the period 1 January 2017 - 31 March 2017 is as follows:

	1 January 2017	Additions	Disposals	31 March 2017
<u>Cost</u>				
Other intangible asset	755,396	--	--	755,396
	755,396	--	--	755,396
<u>Accumulated amortization</u>				
Other intangible asset	(439,122)	(47,722)	--	(486,844)
	(439,122)	(47,722)	--	(486,844)
	316,274	(47,722)	--	268,552

For the interim period ended 31 March 2017 no intangible assets were acquired.

As at 31 March 2017, there is no insurance on intangible assets (31 December 2016: None).

Useful life of intangible assets is 3 years.

Movement schedule of intangible assets for the period 1 January 2016 - 31 March 2016 are as follows:

	1 January 2016	Additions	Disposals	31 March 2016
<u>Cost</u>				
Other intangible asset	755,396	--	--	755,396
	755,396	--	--	755,396
<u>Accumulated amortization</u>				
Other intangible asset	(225,154)	(53,198)	--	(278,352)
	(225,154)	(53,198)	--	(278,352)
	530,242	(53,198)	--	477,044

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12. LOANS AND BORROWINGS

As at 31 March 2017 and 31 December 2016, financial borrowings are as follows:

	31 March 2017	31 December 2016
Short term financial liabilities		
Short term portion of long term borrowings	3,404,636	3,397,355
Total short term borrowings	3,404,636	3,397,355
Long term financial liabilities		
Long term borrowings	8,564,279	9,152,608
Total long term borrowings	8,564,279	9,152,608
Total borrowings	11,968,915	12,549,963

Financial debt repayment schedule is as follows:

	31 March 2017	31 December 2016
Less than 1 year	3,404,636	3,397,355
Between 1-2 years	1,862,197	3,073,640
Between 2-3 years	3,042,488	2,780,637
Between 3-4 years	3,363,744	2,514,587
Between 4-5 years	295,850	783,744
Total	11,968,915	12,549,963

Currency	Nominal interest		Short term	Long term
	rate (%)	Maturity		
TL ⁽¹⁾	8	2021	3,404,636	8,564,279
Total			3,404,636	8,564,279

Currency	Nominal interest		Short term	Long term
	rate (%)	Maturity		
TL ⁽¹⁾	8	2021	3,397,355	9,152,608
Total			3,397,355	9,152,608

⁽¹⁾ Real estate located in İstanbul Beyoğlu Asmalımesit purchased with Halkbank loan obtained on 25 April 2011 (the property was sold on 8 September 2011).

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13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 March 2017, The Group has four consumer law suits which has been filed against the Group.

The following are the cases which may result in a liability for the Group:

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

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

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

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

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

As at 31 March 2017 and 31 December 2016 commitments, pledges and mortgages (CPM) given are as follows:

	31 March 2017		31 December 2016	
	Original amount	Book value	Original amount	Book value
A. Commitments given in the name of own legal entity (a)	255,584,639	255,584,639	256,159,616	256,159,616
B. Commitments given in favour of full consolidated subsidiaries	--	--	--	--
C. Commitment given to guarantee the debts of third parties to continue their operations (b)(c)	86,027,300	86,027,300	73,948,731	73,948,731
D. Other commitments given	--	--	--	--
- In favour of parent company	--	--	--	--
- In favour of group companies other than mentioned in B and C	--	--	--	--
- In favour of third parties other than mentioned in C	--	--	--	--
Total	341,611,939	341,611,939	330,108,347	330,108,347

a) A mortgage have been given to HalkBank Finance Tower amounting to TL 150,000,000 (31 December 2016: TL 150,000,000) (Although loan agreement has been closed, mortgage has not been cancelled under general loan agreement between Halkbank and the Company). A guarantee letter given for road accession commitment of Halkbank Finance Tower amounting to TL 97,504,542 (31 December 2016: TL 97,504,542). Mortgages have been given to customers related to loan for Eskişehir and Referans Bakırköy projects amounting to TL4,192,500, related to Caddebostan renovation amounting to TL 1,266,405, related to VAT return and lawsuit for Eskişehir project respectively amounting to TL 2,154,084 and TL36,763, Levent Hotel Project amounting to TL 381,407 (31 December 2016: TL 368,882) and guarantee letter given for Kocaeli project amounting to TL 48,938 (31 December 2016: 48,938).

b) The balance consist of Company being a guarantor for the customers of the Company's joint operation Halk GYO&Vakıf GYO Adi Ortaklığı's pre-sales of residences at Bizimtepe Aydos Project. If customers use loans from banks that the Company agreed, Company will be guarantor to the customers. Halk GYO&Vakıf GYO Adi Ortaklığı signed a general guarantee agreement with the agreed banks amounting to TL910,000,000 as of 31 March 2017. The Company's responsibility in this guarantee is TL 455,000,000. Pre-sales of Halk GYO&Vakıf GYO Adi Ortaklığı amounting to TL 143,590,890 performed through this guarantee agreement. The risk of the Company is TL 71,891,945 from the pre-sales through this guarantee agreement as of 31 March 2017. The proportion of other CPM to the Company's equity is 4.37% as at 31 March 2017.

c) The balance consist of Company being a guarantor for the customers of the Company's joint operation Halk GYO&Erkonut Adi Ortaklığı's pre-sales of residences at Erzurum Şehristan Project. If customers use loans from banks that the Company agreed, Company will be guarantor to the customers. Halk GYO&Erkonut Adi Ortaklığı signed a general guarantee agreement with the agreed banks amounting to TL255,000,000 as of 31 March 2017. The Company's responsibility in this guarantee is TL 127,500,000. Pre-sales of Halk GYO&Erkonut Adi Ortaklığı amounting to TL 20,340,592 performed through the guarantee agreement. The risk of the Company is TL 14,245,355 from the pre-sales through this guarantee agreement as of 31 March 2017. The proportion of other CPM to the Company's equity is 0.87% as at 31 March 2017.

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

As at 31 March 2017 and 31 December 2016, the details of letter of guarantees are presented below:

	31 March 2017	31 December 2016
YDA İnşaat San. Ve Tic. A.Ş. ⁽¹⁾	82,665,000	82,665,000
Haldız İnşaat Otomotiv ve Tic. Ltd. Şti. ⁽⁷⁾	22,394,412	26,950,000
Er Konut İnş. Taah. İnşaat Malz. Nak. ve Mad. Tic. A.Ş. ⁽⁹⁾	13,650,000	13,650,000
Biskon Yapı A.Ş. ⁽³⁾	3,359,922	300,000
Dedeman Turizm Yönetimi A.Ş. ⁽²⁾	15,633,200	14,839,600
Sapaz Otelcilik Turizm İnşaat Sanayi Ve Ticaret A.Ş. ⁽⁸⁾	5,862,450	5,564,850
İlgazlar İnşaat Tic. Ve San. A.Ş. ⁽⁶⁾	2,400,000	2,400,000
K Yapı Gayrimenkul Geliştirme İnş. San. Ve Dış Tic. A.Ş. ⁽¹⁾	2,000,000	2,000,000
CNV Yapı Mimarlık San. Tic. Ltd. Şti. ⁽¹⁰⁾	1,610,000	1,610,000
Entegre Proje Yönetim Dan.Müh.Tic. A.Ş. ⁽⁴⁾	693,158	693,158
Koton Mağazacılık Tekstil San ve Tic AŞ ⁽⁵⁾	440,060	440,060
Borusan Makine ve Güç Sistemleri San.ve Tic. A.Ş. ⁽¹⁾	372,852	353,924
YPU Yapı Proje Uygulama Ltd. Şti. ⁽⁷⁾	273,990	337,170
Direk Reklam İnş. San. Tic. A.Ş. ⁽⁷⁾	211,542	--
Mutlu Çilingiroğlu Miar Mimarlık İnş. San. Ve Tic. Ltd. Şti. ⁽⁷⁾	160,500	160,500
Megapol Mühendislik Tic. A.Ş. ⁽¹⁾	225,000	225,000
Other	369,723	343,555
	152,321,809	152,532,817

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

⁽²⁾ The Company has received letter of guarantee from the suppliers for architectural and construction activities for Dedeman Otel Project.

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

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

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

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

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

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

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

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

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

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14. EMPLOYEE BENEFITS

As at 31 March 2017 and 31 December 2016 the details of letters of guarantee are presented below:

Short term liabilities	31 March 2017	31 December 2016
Employee bonus accruals	695,100	543,573
Unused vacation accruals	266,731	257,582
Total	961,831	801,155

Long term liabilities	31 March 2017	31 December 2016
Retirement pay provision	300,261	202,050
Total	300,261	202,050

The liability for the retirement of employees is calculated as per the Turkish Labor Law by discounting the future liabilities to their present values and reflected to the financials.

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

Primary actuarial estimations used at the attached financial statements are stated below regarding 31 March 2017 and 31 December 2016:

	31 March 2017	31 December 2016
Discount rate	2.83%	4.72%
Expected salary/limit increase rate	6%	6%
Estimated retirement turnover rate	97%	96%

15. PREPAID EXPENSES, OTHER CURRENT AND NON-CURRENT ASSETS*Prepaid expenses*

As at 31 March 2017 and 31 December 2016, the details of prepaid expenses are presented below:

	31 March 2017	31 December 2016
Prepaid insurance expenses	331,812	220,227
Prepaid advertising and promotion expenses	2,817	--
Other	97,862	166,656
Total short term prepaid expenses	432,491	386,883
Investment advances (*)	52,272,334	56,125,984
Other	7,821	2,004
Total long term prepaid expenses	52,280,155	56,127,988
Total prepaid expenses	52,712,646	56,514,871

(*) As at 31 March 2017, the advances given comprise those given to the main contractor and the project management contractor, by IFC Project amounting to TL 37,868,247 (31 December 2016: TL 37,879,038), Sancaktepe Project amounting to TL 5,817,701 (31 December 2016: 9,529,353), Erzurum Şehristan Project amounting to TL 7,742,115 and other advances amounting to TL 844,271 (31 December 2016: 7,873,322 and TL 844,271).

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15. PREPAID EXPENSES, OTHER CURRENT, NON-CURRENT ASSETS (cont'd)***Other current assets***

As at 31 March 2017 and 31 December 2016, the details of other current assets are presented below:

	31 March 2017	31 December 2016
Deferred value added tax ("VAT")	14,134,816	9,400,241
Deposits and guarantees given	45,446	56,925
Business advances given	42,201	1,351
Other	1,753,208	1,915,412
Total	15,975,671	11,373,929

Other non-current assets

As at 31 March 2017 and 31 December 2016, the details of other non-current assets are presented below:

	31 March 2017	31 December 2016
Deferred value added tax ("VAT")	20,880,825	23,221,557
Total	20,880,825	23,221,557

As at 31 March 2017, VAT receivable amounting to TL 20,880,825 (31 December 2016: 23,221,557) caused by purchasing Sancaktepe land of Halk GYO-Vakıf GYO Adi Ortaklığı and Erzurum Şehristan Project are classified to "other non-current assets".

16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS**a) Paid in capital**

As at 31 March 2017 and 31 December 2016 the issued and fully paid in capital of the Group is as follows:

	31 March 2017			31 December 2016		
	Group	Share %	Amount	Share %	Amount	
Halkbank	A	1.58	12,482,570	1.58	12,482,570	
Halkbank(*)	B	70.38	556,019,397	70.38	556,019,397	
Halk Yatırım Menkul Değerler A.Ş.	A	0.04	298,113	0.04	298,113	
Halk Finansal Kiralama AŞ	A	0.00	1	<0,01	1	
Publicly traded	B	28.00	221,199,919	28.00	221,199,919	
Share capital		100.00	790,000,000	100.00	790,000,000	

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

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

a) Paid in capital (cont'd)

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

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

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

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

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

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

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

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

b) Treasury shares acquired

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

Transaction	Transaction date	Nominal value	Weighted average share price	Transaction amount
Repurchased shares	26 February 2013	933,649	1.34	1,251,090
Repurchased shares	27 February 2013	736,571	1.34	987,004
Repurchased shares	28 February 2013	1,000,000	1.34	1,340,000
Repurchased shares	1 March 2013	2,297,269	1.32	3,021,922
Repurchased shares	5 March 2013	3,455,130	1.33	4,608,678
Repurchased shares	11 March 2013	457,867	1.32	604,384
Repurchased shares	12 March 2013	586,245	1.32	773,843
Repurchased shares	15 March 2013	2,000,000	1.32	2,640,000
Repurchased shares	21 March 2013	7,210,586	1.33	9,582,612
Bonus shares from incorporating reserves	20 June 2013	314,024	0.00	--
Bonus shares from incorporating reserves	5 June 2014	683,977	0.00	--
Bonus shares from incorporating reserves	11 June 2015	1,271,466	0.00	--
Bonus shares from incorporating reserves	25 Mayıs 2016	1,325,030	0.00	--
Total treasury shares		22,271,814	1.11	24,809,533

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

c) Share premiums

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

d) Restricted reserves

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

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

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

e) Dividends

As at 31 March 2017, there is no dividend payment. As at 25 May 2016, dividends distributed to the shareholders amounted to TL 5,423,899. Since TL 152,912 of dividends declared was for the Company's treasury shares, net dividends distributed to the shareholders was TL 5,270,987.

17. REVENUE AND COST OF SALES

For the interim periods ended 31 March 2017 and 31 March 2016, revenue is as follows:

	1 January – 31 March 2017	1 January – 31 March 2016
Income from sale of residence	6,672,008	5,214,536
Rental income	13,246,226	12,647,847
Total property income	19,918,234	17,862,383
Interest income on deposits	1,480,184	1,409,750
Other	283,780	1,756
Total income from debt deposits	1,763,964	1,411,506
Total revenue	21,682,198	19,273,889

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17. REVENUE AND COST OF SALES (cont'd)

For the interim periods ended 31 March 2017 and 31 March 2016, cost of sales are as follows:

	1 January – 31 March 2017	1 January – 31 March 2016
Cost of residence sales	3,779,817	3,290,688
Property tax expenses	19,008	13,512
Other	132,179	123,151
Total cost of property	3,931,004	3,427,351
Expense from financial assets at fair value through profit and loss	--	--
Commission expenses	--	--
Total cost of debt securities	--	--
Total cost of sales	3,931,004	3,427,351

18. GENERAL ADMINISTRATIVE EXPENSES

For the interim periods ended 31 March 2017 and 31 March 2016, administrative expenses are as follows:

	1 January – 31 March 2017	1 January – 31 March 2016
Donations	2,600,000	--
Personnel expenses	1,822,412	1,447,322
Travel and rent a car expenses	474,875	127,656
Rent expenses	124,233	117,712
Amortisation expenses	108,031	106,184
Taxes and duties	146,763	104,254
Outsource servise expenses	144,115	99,068
Consulting expenses	137,165	91,284
Advertisement expenses	156,474	88,345
Office and IT related expenses	19,720	39,515
Maintenance expenses	3,965	7,230
Other	13,848	12,595
Total	5,751,601	2,241,165

Personnel expenses

	1 January – 31 March 2017	1 January – 31 March 2016
Social security employer shares	1,218,479	1,002,909
BOD remunerations	159,164	168,528
Attance fee	132,941	67,307
Other	311,828	208,578
Total	1,822,412	1,447,322

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19. MARKETING, SALES AND DISTRIBUTION EXPENSES

For the interim periods ended 31 March 2017 and 31 March 2016, marketing, sales and distribution expenses are as follows:

	1 January – 31 March 2017	1 January – 31 March 2016
Commission expenses (*)	703,508	1,267,808
Taxes and duties	1,262	213
Other	474,023	301,539
Total	1,178,793	1,569,560

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

20. OTHER OPERATING INCOME AND EXPENSES FROM MAIN OPERATIONS

For the interim periods ended 31 March 2017 and 31 March 2016, other operating income / (expenseS) are as follows:

	1 January – 31 March 2017	1 January – 31 March 2016
Other operating income from main activities		
Foreign exchange gains	696,713	16,689
Other operating loss from main activities		
Foreign exchange losses	(191,403)	(39,866)

21. FINANCE COSTS

For the interim periods ended 31 March 2017 and 31 March 2016, financial expenses are as follows:

	1 January – 31 March 2017	1 January – 31 March 2016
Interest expenses	315,353	377,315
Total finance costs	315,353	377,315

22. INCOME TAX

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

23. EARNINGS PER SHARE

Earnings per share stated in the statement of comprehensive income are calculated by dividing net profit for the period by the weighted average number of the Company's shares for the year. There is no diluted shares.

	1 January – 31 March 2017	1 January – 31 March 2016
Net profit for the period	11,010,757	11,635,321
Weighted average number of shares	790,000,000	743,000,000
Earnings per share	0.01394	0.01566

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24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management:

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

The capital structure of the Group consists of debt, which includes bank loans disclosed in Note 16 and issued capital, reserves and retained earnings.

The Group considers capital in terms of leverage ratio to be consistent with other companies in the market. This ratio is calculated by dividing net debt by total capital. Net debt is expressed as total borrowings less total cash and cash equivalents.

Details of total debt to equity as of 31 March 2017 and 31 December 2016 are as follows:

	31 March 2017	31 December 2016
Financial liabilities	11,968,915	12,549,963
Less: Cash and cash equivalents	(61,008,271)	(51,301,426)
Net debt	49,039,356	38,751,463
Total equity	1,641,206,501	1,630,195,744
Total share capital	1,690,245,857	1,668,947,207
Net debt/Total share capital	<u>3%</u>	<u>2%</u>

b) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

According to risk policies, financial risks are identified, evaluated and hedged in close co-operation with the Group's operating units.

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

b) Financial risk factors (cont'd)

b.1) Credit risk management

Credit risk exposed by financial instruments

31 Mart 2017	Receivables				Derivative instruments	Other
	Trade receivables		Other receivables			
	Related parties	Other	Related parties	Other	Bank deposits	
Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)	--	58,353,510	--	--	60,807,722	--
- Secured portion of maximum credit risk by guarantee or etc. (**)	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	--	58,353,510	--	--	60,807,722	--
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 (-)	--	--	--	--	--	--
- Secured portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--
- Secured portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--
D. Off balance sheet items with credit risks	--	--	--	--	--	--

(*) In determining the amounts, elements providing increase in loan credibility such as collaterals received are not considered.

(**) Collaterals consist of surety bills, cheques and mortgages.

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

b) Financial risk factors (cont'd)

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

Credit risk exposed by financial instruments

	Trade receivables			Receivables			Derivative instruments	Bank deposits	Other
	Related parties	Other	Other receivables	Related parties	Other	Other			
31 Aralık 2016									
Exposure to maximum credit risk as at reporting date (A+B+C+D) (*)	--	52,142,269	--	--	--	--	51,134,642	--	--
- Secured portion of maximum credit risk by guarantee or etc. (**)	--	--	--	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	--	52,142,269	--	--	--	--	51,134,642	--	--
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 (-)	--	--	--	--	--	--	--	--	--
- Secured portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--	--	--	--
- Overdue (gross book value)	--	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--	--
- Secured portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--	--	--	--
D. Off balance sheet items with credit risks	--	--	--	--	--	--	--	--	--

(*) In determining the amounts, elements providing increase in loan credibility such as collaterals received are not considered.

(**) Collaterals consist of surety bills, cheques and mortgages.

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

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

b) Financial risk factors (cont'd)

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

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure to credit risks and the credit ratings of its customers are monitored continuously.

b.2) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's maturity analysis for its non-derivative financial instruments. The table has been drawn up based on the undiscounted net amounts and earliest date on the non-derivative instrument. Due to this liabilities, interests to be paid are included in the following table.

Liquidity risk table

<u>Contractual maturities</u>	Carrying value	<u>Total contractual</u>	<u>Up to 3</u>	<u>3 months to 1</u>	<u>1 year to 5</u>	<u>More than 5</u>
		<u>cash outflows</u>	<u>months (I)</u>	<u>year (II)</u>	<u>years (III)</u>	<u>years (IV)</u>
		<u>(I+II+III+IV)</u>				
Borrowings	11,968,915	14,618,502	895,010	2,685,031	11,038,461	--
Trade payables	488,493	488,493	488,493	--	--	--
Total liability	12,457,408	15,106,995	1,383,503	2,685,031	11,038,461	--

<u>Contractual maturities</u>	Carrying value	<u>Total contractual</u>	<u>Up to 3</u>	<u>3 months to 1</u>	<u>1 year to 5</u>	<u>More than 5</u>
		<u>cash outflows</u>	<u>months (I)</u>	<u>year (II)</u>	<u>years (III)</u>	<u>years (IV)</u>
		<u>(I+II+III+IV)</u>				
Borrowings	12,549,963	15,513,512	895,010	2,685,031	11,933,471	--
Trade payables	534,202	534,202	534,202	--	--	--
Total liability	13,084,165	16,047,714	1,429,212	2,685,031	11,933,471	-

b.3) Piyasa riski yönetimi

Market risk exposures are supplemented by sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

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

b) Financial risk factors (cont'd)

b.3.1) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. As of the balance sheet date, the Group's non-monetary foreign currency assets and liabilities are detailed as follows.

	31 March 2017			
	TL Equivalents	US Dollar	Euro	GBP
1. Trade receivables	321,527	87,107	120	910
2a. Monetary financial assets	767,872	211,035	--	--
2b. Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. Current Assets (1+2+3)	1,089,399	298,142	120	910
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. Non-current assets (5+6+7)	--	--	--	--
9. Total Assets (4+8)	1,089,399	298,142	120	910
10. Trade payables	--	--	--	--
11. Financial liabilities	--	--	--	--
12a. Monetary other liabilities	1,146	315	--	--
12b. Non-monetary other liabilities	--	--	--	--
13. Short term liabilities (10+11+12)	1,146	315	--	--
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16a. Monetary other liabilities	--	--	--	--
16b. Non-monetary other liabilities	--	--	--	--
17. Long term financial liabilities (14+15+16)	--	--	--	--
18. Total liabilities (13+17)	1,146	315	--	--
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 (9-18+19)	1,088,253	297,827	120	910
21. Monetary accounts net foreign currency asset/liabilities position (1+2a+5+6a-10-11-12a-14-15-16a)	1,088,253	297,827	120	910

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

b) Financial risk factors (cont'd)

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

	31 December 2016		
	TL Equivalents	US Dollar	Euro
1. Trade receivables	742,674	211,035	--
2a. Monetary financial assets	340,483	96,750	--
2b. Non-monetary financial assets	--	--	--
3. Other	--	--	--
4. Current Assets (1+2+3)	1,083,157	307,785	--
5. Trade receivables	--	--	--
6a. Monetary financial assets	--	--	--
6b. Non-monetary financial assets	--	--	--
7. Other	--	--	--
8. Non-current assets (5+6+7)	--	--	--
9. Total Assets (4+8)	1,083,157	307,785	--
10. Trade payables	--	--	--
11. Financial liabilities	--	--	--
12a. Monetary other liabilities	1,109	315	--
12b. Non-monetary other liabilities	--	--	--
13.Short term liabilities (10+11+12)	1,109	315	--
14. Trade payables	--	--	--
15. Financial liabilities	--	--	--
16a. Monetary other liabilities	--	--	--
16b. Non-monetary other liabilities	--	--	--
17.Long term financial liabilities (14++15+16)	--	--	--
18. Total liabilities (13+17)	1,109	315	--
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 (9-18+19)	1,082,048	307,470	--
21. Monetary accounts net foreign currency asset/liabilities position (1+2a+5+6a-10-11-12a-14-15-16a)	1,082,048	307,470	--

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

b) Financial risk factors (cont'd)

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

Foreign currency sensitivity analysis:

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollars and Euro.

The following table details the Group's sensitivity to a 10% increase and decrease in the US Dollars and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss.

	31 March 2017		31 December 2016	
	Devaluation of TL	Revaluation of TL	Devaluation of TL	Revaluation of TL
1- USD net assets/(liabilities)	108,367	(108,367)	108,205	(108,205)
2- USD proportion hedged from changes (-)	--	--	--	--
3- USD net effect (1+2)	108,367	(108,367)	108,205	(108,205)
4- Euro net assets/(liabilities)	47	(47)	--	--
5- Euro proportion hedged from changes (-)	--	--	--	--
6- Euro net effect (4+5)	47	(47)	--	--
7- GBP net assets/(liabilities)	411	(411)	--	--
8- GBP proportion hedged from changes (-)	--	--	--	--
9- GBP net effect (7+8)	411	(411)	--	--
TOTAL (3+6+9)	108,825	(108,825)	108,205	(108,205)

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

b) Financial risk factors (cont'd)

b.3.2) Interest rate risk management

The Group is exposed to interest rate risk due to the effects of changes in interest rates on assets and liabilities.

Details of the Group's financial instruments exposed to interest rate sensitivity are as follows:

	31 March 2017	31 December 2016
Financial instruments with fixed rates		
Financial assets		
<i>Time deposits</i>	60,025,719	50,290,076
Financial liabilities		
<i>Loans and borrowings</i>	11,968,915	12,549,963

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25. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

	<u>Loans and receivables</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying value</u>	<u>Note</u>
31 March 2017				
<u>Financial assets</u>				
Cash and cash equivalents	61,008,271	--	61,008,271	5
Trade receivables	12,192,216	--	12,192,216	7
<u>Financial liabilities</u>				
Financial debts	11,968,915	--	11,968,915	13
Trade payables	--	347,403	347,403	7
Trade payables due to related parties	--	141,090	141,090	4
31 Aralık 2016				
<u>Financial assets</u>				
Cash and cash equivalents	51,301,426	--	51,301,426	5
Trade receivables	16,867,810	--	16,867,810	7
<u>Financial liabilities</u>				
Financial debts	--	12,549,963	12,549,963	13
Trade payables	--	470,938	470,938	7
Trade payables due to related parties	--	63,264	63,264	4

The Group believes that the carrying values of its financial investments reflect their fair values.

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25. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (cont'd)

Fair value of financial instruments

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

- Level 1: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Level 2: The fair value of financial assets and financial liabilities are determined by using prices from observable current market transactions, other than quoted market prices refer to in Level 1 above.
- Level 3: The fair value of the financial assets and financial liabilities where there is no observable market data.

26. EVENTS AFTER THE REPORTING PERIOD

None.

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 III-48.1 communique, "Communiqué on Principles Regarding Real Estate Investment Trusts", published in the Official Gazette numbered 28660. In addition, as indicated in Note 2, information in the financial statement of the Group is unconsolidated data due to the Company has no subsidiary or joint venture.

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

	Financial statement primary accounts items	Regulations	31 March 2017 (TL)	31 December 2016 (TL)
A	Money and capital market instruments	Serial: III-48.1, Article 24/(b)	61,008,271	51,301,426
B	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article 24/(a)	1,679,190,790	1,658,628,593
C	Subsidiaries	Serial: III-48.1, Article 24/(b)	--	--
	Due from related parties (non-trade)	Serial: III-48.1, Article 23/(f)	--	--
	Other assets		149,721,940	144,909,956
D	Total Assets	Serial: III-48.1, Article 3/(k)	1,889,921,001	1,854,839,975
E	Loans and borrowings	Serial: III-48.1, Article 31	11,968,915	12,549,963
F	Other financial liabilities	Serial: III-48.1, Article 31	--	--
G	Financial leasing obligations	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	1,641,206,501	1,630,195,744
	Other liabilities		236,745,585	212,094,268
D	Total liabilities and equity	Serial: III-48.1, Article 3/(k)	1,889,921,001	1,854,839,975
	Other financial information		31 March 2017 (TL)	31 December 2016 (TL)
A1	Portion of money and capital markets instruments for real estate payment of 3 years	Serial: III-48.1, Article 24/(b)	--	--
A2	Time deposit/ demand deposit/ TL / foreign currency	Serial: III-48.1, Article 24/(b)	60,640,651	51,134,642
A3	Foreign capital market instruments	Serial: III-48.1, Article 24/(d)	--	--
B1	Foreign real estates, based on real estates projects, rights for real estates	Serial: III-48.1, Article 24/(d)	--	--
B2	Idle land	Serial: III-48.1, Article 24/(c)	--	--
C1	Foreign Subsidiaries	Serial: III-48.1, Article 24/(d)	--	--
C2	Investment in the operating company	Serial: III-48.1, Article 28	--	--
J	Non-cash loans	Serial: III-48.1, Article 31	191,611,939	180,108,347
K	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article 22/(e)	--	--
L	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article III-48.1. Md.22/(l)	--	--

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

	Portfolio Restrictions	Regulations	Calculation	Min/Max Rate	31 March 2017 (TL)	31 December 2016 (TL)
1	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article22/(e)	K/D	Maximum %10	--	--
2	Real estates, based on real estates projects, rights for real estates	Serial: III-48.1, Article24/(a),(b)	(B+A1)/D	Minimum %51	88.85%	89.42%
3	Money and capital market instruments and associates	Serial: III-48.1, Article24/(b)	(A+C-A1)/D	Maximum %49	3.23%	2.77%
4	Foreign real estates, based on real estates projects, rights for real estate, associates, capital market instruments	Serial: III-48.1, Article24/(d)	(A3+B1+C1)/D	Maximum %49	--	--
5	Idle Land	Serial: III-48.1, Article24/(c)	B2/D	Maximum %20	--	--
6	Subsidiaries	Serial: III-48.1, Article28	C2/D	Maximum %10	--	--
7	Borrowing Limit	Serial: III-48.1, Article31	(E+F+G+H+J)/I	Maximum %500	12.40%	11.82%
8	Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article24/(b)	(A2-A1)/D	Maximum %10	3.21%	2.76%
9	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article31; III-48.1. Md. 22/(I)	L/D	Maximum %10	--	--