

**HALK GAYRİMENKUL YATIRIM
ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020 AND
INDEPENDENT AUDITOR'S REPORT

**(CONVENIENCE TRANSLATION OF THE REPORT AND
THE FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH)**

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

A) Independent Audit of Financial Statements

1) Opinion

We have audited the accompanying consolidated financial statements of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (“the Company”) and its subsidiary (“the Group”) which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRSs).

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing (“SIA”) which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Emphasis of Matter

As detailed in Note 27, we draw attention to the following matters from which the Parent Bank can be affected:

On 15 October 2019, the New York Southern District Attorney General of the United States (“US”) Department of Justice prepared an indictment and filed a lawsuit against the Parent Bank in the New York Southern District Court (“District Court”) for alleged violations of Iranian sanctions. This criminal lawsuit action is ongoing.

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3) Emphasis of Matter (cont'd)

In addition, a civil lawsuit was filed against the Parent Bank on 27 March 2020 with a claim for compensation by plaintiffs in the U.S. New York Southern District Court "on the grounds that they (plaintiffs) could not satisfy their judgments from Iran due to violations of sanctions" and it was served to the Parent Bank's lawyers on 1 July 2020. The civil lawsuit action at the District Court is ongoing.

In addition, the appeal process of the case which resulted in the conviction of the defendant former executive of the Parent Bank, who was released on 19 July 2019 and returned to Turkey, is completed. The decision related to the conviction was upheld.

At this stage, the Parent Bank's Management state that there is no penalty, compensation, sanction or other measure arising from the ongoing criminal and civil lawsuits against the Parent Bank. There is an uncertainty with respect to any decisions by the US authorities that may adversely affect the financial position of the Parent Bank. No provision has been made in the accompanying consolidated financial statements related to these matters. Our opinion is not modified in respect of these matters.

4) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p>1) Presentation of investment properties in the financial statements and significant disclosures The Group accounts for its investment properties at fair value.</p> <p>The fair values of the investment properties presented in the financial statements amounting to TL 3,260,027,500 as of 31 December 2020 have been determined by an independent appraiser firm.</p> <p>Due to the fact that approximately 93% of the Group's total assets consists of investment properties and valuation methods applied at fair value include significant estimates and assumptions, we have determined the accuracy of work performed for determination of fair value of the investment properties and principles related to presentation of investment properties in the consolidated financial statements as a key audit mater.</p> <p>(For the respective accounting policy please refer to "Note 2 Summary of Significant Accounting Policies" and for the details of investment properties please refer to Note 8.)</p>	<p>The following procedures were performed within the scope of our audit work:</p> <ul style="list-style-type: none"> - We evaluated the design and implementation of the key controls prepared by the appraisers appointed by the Group. - The qualifications, competencies and impartiality of real estate appraisers appointed by the management have been evaluated. - The appropriateness of methods used by the Group's appraisers in their valuation reports for investment properties. - The reconciliation of the amounts disclosed in note 8 for investment properties and the values determined by the appraisers in their reports. - The assumptions used by appraisers (including rate of increase, real discount rate, market rents and estimated occupancy rates) include the analysis of the market data in their determination of fair value of investment properties. We have engaged another independent external expert (real estate appraiser) in our work in order to assess such analysis. - In line with the above procedures, we have evaluated as to whether the values appreciated by valuation specialists are within an acceptable range, considering the existence of high level judgments used in valuation reports, as well as alternative estimates and valuation techniques. - Additionally, the appropriateness of the information disclosed in the consolidated financial statements and in the explanatory notes was controlled taking into consideration the significance of the disclosures to draw attention of the users.

5) Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

6) Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, our responsibilities as independent auditors are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Independent Auditing Standards published by the Capital Markets Board will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

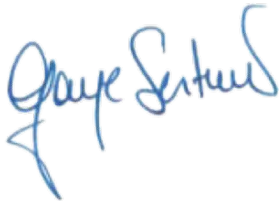
In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Group on 15 February 2021.

In accordance with paragraph four of the Article 402 of the TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2020 does not comply with the TCC and the provisions of the Group's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of the TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The independent audit herein, is conducted and concluded by the engagement partner Zere Gaye Şentürk.

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



Zere Gaye Şentürk, SMMM
Partner

İstanbul, 15 February 2021

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HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

(Amounts expressed in Turkish Lira(TL).)

		Audited	Audited
		31 December	31 December
	Notes	2020	2019
ASSETS			
Current Assets			
		106,170,870	192,228,287
Cash and Cash Equivalents	26	49,553,215	74,285,277
Trade Receivables	5	5,346,392	11,511,709
<i>Trade Receivables from Related Parties</i>	4	60	3,114
<i>Trade Receivables from Third Parties</i>		5,346,332	11,508,595
Inventory	6	18,178,851	67,906,463
Prepaid Expenses	7	1,524,881	10,072,788
<i>Prepaid Expenses to Related Parties</i>	4	52,208	421,994
<i>Prepaid Expenses to Third Parties</i>		1,472,673	9,650,794
Current Tax Assets		846,745	1,024,761
Other Current Assets	13	30,720,786	27,427,289
<i>Other Current Assets from Third Parties</i>		30,720,786	27,427,289
Non-Current Assets			
		3,408,555,210	2,846,980,843
Trade Receivables	5	1,587,042	4,426,244
<i>Trade Receivables From Third Parties</i>		1,587,042	4,426,244
Investment Property	8	3,260,027,500	2,715,950,000
Property, Plant and Equipment	9	4,086,222	4,424,599
Intangible Assets	10	350,671	305,959
<i>Other Intangible Assets</i>		350,671	305,959
Prepaid Expenses	7	108,754,887	96,753,415
<i>Prepaid Expenses to Third Parties</i>		108,754,887	96,753,415
Other Non-Current Assets	13	33,748,888	25,120,626
<i>Other Non-Current Assets From Related Parties</i>		33,748,888	25,120,626
TOTAL ASSETS		3,514,726,080	3,039,209,130

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

(Amounts expressed in Turkish Lira(TL).)

	Notes	Audited 31 December 2020	Audited 31 December 2019
LIABILITIES			
Current Liabilities			
Short-Term Liabilities	22	502,826,748	452,228,381
Short-Term Portion of Long-Term Borrowings	22	355,705,257	421,990,029
<i>Short-Term Portion of Long-Term Borrowings from Related Parties</i>		40,918,126	3,396,659
Trade Payables	5	30,896,058	2,955,431
<i>Trade Payables to Related Parties</i>	4	8,742	55,804
<i>Trade Payables to Third Parties</i>		30,887,316	2,899,627
Deferred Income (Excluding Liabilities Arising from Customer Contracts)	7	61,108,287	13,423,297
<i>Deferred Income from Third Parties (Excluding Liabilities Arising from Customer Contracts)</i>		61,108,287	13,423,297
Short-Term Provisions		1,808,629	1,594,925
<i>Short-Term Portion of Provisions Related to Employee Benefits</i>	12	1,808,629	1,592,889
<i>Other Current Provisions</i>	11	-	2,036
Other Current Liabilities	13	12,390,391	8,868,040
<i>Other Current Liabilities to Related Parties / Other Current Liabilities to Third Parties</i>		12,390,391	8,868,040
Non-Current Liabilities			
Long-Term Borrowings	22	85,410,620	8,761,067
<i>Long-Term Financial Borrowings From Related Parties</i>		84,593,553	8,020,447
Long-Term Provisions	12	817,067	740,620
<i>Long-Term Portion of Provisions Related to Employee Benefits</i>		817,067	740,620
EQUITY			
Share Capital	14	2,926,488,712	2,578,219,682
Treasury Shares (-)	14	970,000,000	928,000,000
Share Premium / Discounts		(27,346,399)	(26,162,328)
Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		49,945,096	49,945,096
- <i>Gains on remeasurement of defined benefit plans</i>		68,913	(23,610)
- <i>Gains on remeasurement of defined benefit plans</i>		68,913	(23,610)
Restricted Reserves Appropriated from Profit	14	52,735,975	49,937,018
Prior Years' Profit or Loss		1,528,632,662	1,255,115,292
Net Profit for the Period		352,452,465	321,408,214
TOTAL LIABILITIES AND EQUITY		3,514,726,080	3,039,209,130

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2020**

(Amounts expressed in Turkish Lira (TL))

		Audited	Audited
		1 January- 31 December 2020	1 January- 31 December 2019
	Notes		
Revenue	15	151,865,863	129,978,874
Cost of Sales (-)	15	<u>(65,492,481)</u>	<u>(42,155,655)</u>
GROSS PROFIT (LOSS)		86,373,382	87,823,219
General Administrative Expenses (-)	17	(18,309,513)	(15,141,458)
Marketing Expenses (-)	17	(10,596,425)	(4,993,522)
Other Income from Operating Activities	18	3,304,947	2,288,368
Other Expenses from Operating Activities (-)	18	<u>(4,290,524)</u>	<u>(481,752)</u>
OPERATING PROFIT (LOSS)		56,481,867	69,494,855
Gain (Loss) from Investments Accounted Through Equity Method	8	<u>315,139,702</u>	<u>262,434,998</u>
OPERATING PROFIT (LOSS) BEFORE FINANCE INCOME (EXPENSE)		371,621,569	331,929,853
Finance Expenses (-)	19	(19,169,104)	(10,521,639)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		352,452,465	321,408,214
TAX EXPENSES		-	-
PROFIT (LOSS) FOR THE PERIOD		<u>352,452,465</u>	<u>321,408,214</u>
Earnings per Share		0.3634	0.3463
OTHER COMPREHENSIVE INCOME:			
Items That Will Not Be Reclassified to Profit or Loss		92,523	57,893
Gain on Remeasurement of Defined Benefit Plans		92,523	57,893
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		<u>352,544,988</u>	<u>321,466,107</u>

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL))

	Notes	Share Capital	Treasury Shares	Share Premium / Discounts	Accumulated Other Comprehensive Income or Expenses that will not be Reclassified to Profit or Loss	Retained Earnings		Equity	
					Accumulated Gains / Losses on Remeasurement of Defined Benefit Plans	Restricted Reserves Appropriated from Profit	Prior Years' Profits / Losses		Net Profit / Loss for the Period
Balances as of 1 January 2019		858,000,000	(24,188,879)	49,945,096	(81,503)	42,011,650	954,587,570	381,344,886	2,261,618,820
Transfers		-	-	-	-	7,925,368	373,419,518	(381,344,886)	-
Total Comprehensive Income		-	-	-	57,893	-	-	321,408,214	321,466,107
Capital Increase	14	70,000,000	(1,973,449)	-	-	-	(68,026,551)	-	-
Dividends		-	-	-	-	-	(4,865,245)	-	(4,865,245)
Balances at 31 December 2019	14	928,000,000	(26,162,328)	49,945,096	(23,610)	49,937,018	1,255,115,292	321,408,214	2,578,219,682
Balances as of 1 January 2020	14	928,000,000	(26,162,328)	49,945,096	(23,610)	49,937,018	1,255,115,292	321,408,214	2,578,219,682
Transfers		-	-	-	-	2,798,957	318,609,257	(321,408,214)	-
Total Comprehensive Income		-	-	-	92,523	-	-	352,452,465	352,544,988
Purchase of Share		-	-	-	-	-	-	-	-
Capital Increase	14	42,000,000	(1,308,113)	-	-	-	(40,691,887)	-	-
Dividends		-	124,042	-	-	-	(4,400,000)	-	(4,275,958)
Balances at 31 December 2020	14	970,000,000	(27,346,399)	49,945,096	68,913	52,735,975	1,528,632,662	352,452,465	2,926,488,712

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2020**

(Amounts expressed in Turkish Lira (TL).)

	Notes	Audited 1 January- 31 December 2020	Audited 1 January- 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the Period		352,452,465	321,408,214
Adjustments to Reconcile Net Profit (Loss) for the Period			
- Adjustments Related to Depreciation and Amortization Expenses	9-10	3,508,581	1,611,292
- Adjustments Related to Provisions	11-12	357,987	268,294
- Adjustments Related to Interest Income and Expenses	15-19	(1,866,834)	5,546,217
- Adjustments Related to Fair Value Losses/Gains	8	(315,139,702)	(262,434,998)
- Adjustments Related to (Increase) / Decrease in Inventories	6	49,727,612	12,166,161
- Adjustments Related to (Increase) / Decrease in Trade Receivables		9,004,519	35,654
- Decrease (Increase) in Prepaid Expenses		(3,453,565)	12,650,382
- Decrease (Increase) in Other Operating Assets		(11,743,743)	16,091,119
- Adjustments Related to Increase / (Decrease) in Trade Payables		27,940,627	(12,672,786)
- Adjustments Related to Increase / Decrease in Deferred Income (Excluding Liabilities Arising from Customer Contracts)		47,684,990	3,306,920
- Adjustments Related to Increase (Decrease) in Other Operating Liabilities		3,614,874	(19,373,502)
Cash Generated from Operations		162,087,811	78,602,967
Interest Paid			
Interest Received		5,128,303	3,704,407
Other Cash Inflows / Outflows		(67,836)	(12,431)
		167,148,278	82,294,943
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows from Sale of Property, Plant and Equipment and Intangible Assets	9	20,458	-
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets	9-10	(3,235,374)	(4,371,959)
Cash Outflows from Purchase of Investment Properties	8-19	(185,596,356)	(76,672,015)
Cash Inflows from Disposals of Investment Properties	8	1,419,063	-
		(187,392,209)	(81,043,974)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows from Borrowings		1,492,856,900	1,614,559,579
Cash Used for Repayment of Borrowings		(1,444,985,255)	(1,555,808,291)
Dividends Paid		(4,275,958)	(4,865,245)
Interest Paid		(48,021,333)	(9,537,441)
		(4,425,646)	44,348,602
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)			
		(24,669,577)	45,599,571
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
		74,201,099	28,601,528
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	26	49,531,522	74,201,099

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL).)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

The main activity of Halk Gayrimenkul Yatırım Ortaklığı A.Ş (the “Company”) is to invest in properties, property projects, rights on properties, property related capital market instruments and portfolio including other rights and assets as deem appropriate by the Capital Markets Board of Turkey (“CMB”) The Company, its joint operations and its subsidiary will be described as (“Group”) in this report (see also Note 2.1 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 Group is to invest in properties, property projects, property rights and capital market instruments.

The operations of the Company, 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 license to operate by the CMB’s approval dated 24 September 2010 and numbered 9546, and registered in the CMB. The registered capital ceiling of the Company is TL 1,500,000,000. The paid in capital of the Company is TL 970,000,000 of which TL 196,217,979 was paid in cash whereas TL 466,282,021 was paid in kind and TL 307,500,000 was incorporated from reserves internally appropriated (by bonus issue).

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

As of 31 December 2020, the number of personnel employed in the Company is 41 (31 December 2019: 42).

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

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

The capital increase is detailed as follows:

Date	Share Capital	Capitalisation	Increase Value	Funds
18 October 2010	477,000,000	Rights Issue	-	Funding Capital
15 August 2012	662,500,000	Rights Issue	185,500,000	Public Offering
20 June 2013	673,638,704	Bonus Issue	11,138,704	Prior Years' Profit
5 June 2014	697,900,000	Bonus Issue	24,261,296	Prior Years' Profit
11 June 2015	743,000,000	Bonus Issue	45,100,000	Prior Years' Profit
25 Mayıs 2016	790,000,000	Bonus Issue	47,000,000	Prior Years' Profit
15 August 2017	820,000,000	Bonus Issue	30,000,000	Prior Years' Profit
8 June 2018	858,000,000	Bonus Issue	38,000,000	Prior Years' Profit
17 June 2019	928,000,000	Bonus Issue	70,000,000	Prior Years' Profit
20 August 2020	970,000,000	Bonus Issue	42,000,000	Prior Years' Profit

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(Amounts expressed in Turkish Lira (TL).)

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

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

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

As at 24 August 2017, the Company has signed a Joint Operation Agreement with Teknik Yapı Teknik Yapılar San.ve Tic. A.Ş. for developing a real estate project.

The Company established Halk Yapı Projeleri Geliştirme A.Ş. to develop all kinds of real estate projects on 15 December 2020. The entire capital of the company established belongs to Halk GYO.

The details of the Company's joint operations are as follows:

<u>Joint operations</u>	Type of activity	Main activity fields
Halk Yapı Projeleri Geliştirme A.Ş.	Construction	Real Estate Construction
<u>Shares in joint operations</u>	Type of activity	Main activity fields
Halk GYO-Vakıf GYO Joint Venture	Construction	Real Estate Construction
Halk GYO-Erkonut Joint Venture	Construction	Real Estate Construction
Teknik Yapı-Halk GYO Joint Venture	Construction	Real Estate Construction

Approval of financial statements:

The Board of Directors has approved the financial statements and delegated authority for publishing it on 15 February 2021. The General Assembly has the authority to modify the financial statements.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance in TFRS

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" ("the Communiqué"), which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards ("TFRS") and interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

The consolidated financial statements have been prepared in accordance with the "Announcement on TFRS Taxonomy" published by POA and the resolution of CMB about the Illustrations of Financial Statements and Application Guidance published on 15 April 2019.

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

Currency Used

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

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL).)

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

2.1 Basis of Presentation (cont'd)

Preparation of financial statements in hyperinflationary economies

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

Comparative Information and Adjustment of Previous Period Financial Statements

Financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year financial statements, comparative information is reclassified and significant changes are disclosed if necessary.

Basis of Consolidation

As of 31 December 2020 and 2019, the details of the Company's subsidiaries are as follows:

Subsidiaries	Place of incorporation and operation	Functional currency	The Group's shareholding rate and voting power (%)	
			31 December 2020	31 December 2019
Halk Yapı Projeleri Geliştirme A.Ş. (*)	Turkey	Turkish Lira	100%	-

(*) The subsidiary operating in the field of real estate development was established as of 15 December 2020 with 100% shareholding of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. with a capital of TL 15,000,000.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its powers to affect its yields.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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(Amounts expressed in Turkish Lira (TL).)

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Interests in joint operations:

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

When a company undertakes its activities under joint operations, the company 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 TFRS applicable to the particular assets, liabilities, revenues and expenses.

2.2 Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current period but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current period, there are no material changes in accounting estimates of the Group.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL).)

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

2.3 New and Amended Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2020

Amendments to TAS 1 and TAS 8	<i>Definition of Material</i>
Amendments to TFRS 9, TAS 39 and TFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions</i>
Conceptual Framework	<i>Amendments to References to the Conceptual Framework in TFRS Standards.</i>

Amendments to TFRS 3 *Definition of a Business*

The definition of “business” is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of “business” in TFRS 3 Business Combinations standard has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

Amendments to TAS 1 and TAS 8 *Definition of Material*

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

Amendments to TFRS 9, TAS 39 and TFRS 7 *Interest Rate Benchmark Reform*

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

Amendment to TFRS 16, *Covid-19 Related Rent Concessions*

The changes in COVID-19 Related Rent Concessions (Amendment to TFRS 16) brings practical expedient which allows a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there are no substantive changes to other terms and conditions of the lease.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (TL).)

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

2.3 New and Amended Turkish Financial Reporting Standards (cont'd)

a) Amendments that are mandatorily effective from 2020 (cont'd)

Amendment to TFRS 16, *Covid-19 Related Rent Concessions*

COVID-19-related rent concessions and the amendment are effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

Amendments to References to the Conceptual Framework in TFRS Standards

The references to the Conceptual Framework revised the related paragraphs in TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, TFRS Interpretation 12, TFRS Interpretation 19, TFRS Interpretation 20, TFRS Interpretation 22, and SIC-32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

b) New and revised TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020	<i>Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41</i>
Amendments to TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 ve TFRS 16	<i>Interest Rate Benchmark Reform — Phase 2</i>

TFRS 17 *Insurance Contracts*

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2021.

Amendments to TAS 1 *Classification of Liabilities as Current or Non-Current*

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

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(Amounts expressed in Turkish Lira (TL).)

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

2.3 New and Amended Turkish Financial Reporting Standards (cont'd)

b) New and revised TFRSs in issue but not yet effective (cont'd)

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

Amendments to TAS 16 Property, Plant and Equipment - Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 Onerous Contracts - Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TFRS 1 First time adoption of International Financial Reporting Standards

The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

Amendments to TFRS 9 Financial Instruments

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to TAS 41 Agriculture

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

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(Amounts expressed in Turkish Lira (TL).)

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

2.3 New and Amended Turkish Financial Reporting Standards (cont'd)

b) New and revised TFRSs in issue but not yet effective (cont'd)

Amendments to TFRS 4 Extension of the Temporary Exemption from Applying TFRS 9

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023.

Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform – Phase 2

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

These amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual beginning on or after 1 January 2021. Early application is permitted.

2.4 Summary of Significant Accounting Policies

Related Parties

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

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

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

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

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (ii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

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

2.4 Summary of Significant Accounting Policies (cont'd)

Related Parties (cont'd)

- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Revenue

Revenue is recognized when it is probable that an economic gain will be realized to the Group as a result of its operations and it is probable that the income will be measured reliably. Net sales is reduced for estimated and realized customer returns, rebates, commissions and taxes related with sales. Revenue is recognized when all the following conditions are satisfied:

Sale of real estate

In accordance with the contract, revenue is included in the financial statements when the performance obligation determined in the contract is fulfilled after the real estate committed is transferred to the customer. When the customers receives the control of the property, the real estate is considered as transferred.

Rental income from real estate leases:

Rental income from real estates is recognized on an accrual and a straight line basis through the related lease contract. If there are other benefits to the tenants of the Group, they are recorded so as to reduce rental income during the lease term.

Dividend and interest income:

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

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

Sale of lands

Revenue is recognised when all significant risks and rewards regarding the lands that are not designed are transferred to the buyer according to TFRS 15 and the amount of revenue can be measured reliably.

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(Amounts expressed in Turkish Lira (TL).)

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

2.4 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

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

The Group recognizes revenue from the sale of the lands designed in the scope of “Land Sale of Revenue Sharing Agreement” (LSRSA) when transfer of legal ownership of land is transferred to the buyer. When the legal ownership is not transferred, the Group books its share of revenue as deferred income. The Group’s share (land sales income) 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.

Inventories

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

Property, Plant and Equipment

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

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

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

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

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL).)

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

2.4 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment (cont'd)

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

Leases

The Group as Lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.4 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

The Group as Lessee (cont'd)

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under TAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies TAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, TFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (TL).)

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

2.4 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts.

Rental income from operating leases is recognised 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 recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies TFRS 15 to allocate the consideration under the contract to each component.

Intangible Assets

Intangible assets acquired seperately

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

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5-10 years). Costs associated with developing or maintaining computer software programmes are recognized in the statement of profit or loss as incurred.

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.

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(Amounts expressed in Turkish Lira (TL).)

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

2.4 Summary of Significant Accounting Policies (cont'd)

Impairment of Property, Plant and Equipment 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.

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

2.4 Summary of Significant Accounting Policies (cont'd)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

General borrowings of the Group are capitalized to the applicable qualifying assets based on a capitalization rate. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

Financial Instruments

Financial assets

At initial recognition, the Group measures a financial asset at its fair value, except for trade receivables that do not contain significant financing component. The Group measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component in accordance with TFRS 15 (or when the entity applies the practical expedient) at initial recognition.

At initial recognition, the Group measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. A regular way purchase or sale of financial assets shall be recognized using trade date accounting or settlement date accounting.

The Group shall classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both: (a) the Group's business model for managing the financial assets and (b) the contractual cash flow characteristics of the financial asset. When, and only when, the Group changes its business model for managing financial assets it shall reclassify all affected financial assets. If the Group reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date the Group shall not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

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NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (TL).)

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

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Financial assets at amortized cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue regarding the financial assets at amortised cost, shall be calculated by using the effective interest method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with this Standard, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss.

The Group shall directly reduce the gross carrying amount of a financial asset and derecognizes the financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial assets at FVTOCI

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Financial assets at FVTOCI (cont'd)

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the entity shall account for the cumulative gain or loss that was previously recognised in other comprehensive income. Interest calculated using the effective interest method is recognised in profit or loss.

At initial recognition, an entity can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Derivatives are also categorized as FVTPL unless they are designated as hedges. These financial assets are stated at fair value and any gain or losses are recognised in profit or loss.

Impairment

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

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

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Impairment (cont'd)

At each reporting date, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Group only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

Financial liabilities

When a financial liability is recognised initially, the Group measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

(a) Financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

(b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies: When the Group continues to recognise an asset to the extent of its continuing involvement, the entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained. The associated liability is measured in such a way that the net carrying amount of the transferred asset.

(c) Contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognised in profit or loss.

The Group does not reclassify any financial liability.

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(Amounts expressed in Turkish Lira (TL).)

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

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Recognition and derecognition of financial assets

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

Derivative financial instruments and financial risk hedge accounting

The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

If the cash flow hedge of a firm commitment or an expected forward transaction result in the recognition of an asset or liability, at the initial recognition of this asset or liability the gain or loss previously recognized under equity related to derivatives are included in the measurement of the initial amount of the asset or liability. In a hedge accounting that does not result in the recognition of an asset or liability, the amounts previously recognized under equity are transferred to statement of profit or loss in the period in which the hedged item has an effect on profit or loss. The changes in the fair value of derivatives that do not meet the criteria for hedge accounting are recognized in the statement of profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for financial risk hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

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

2.4 Summary of Significant Accounting Policies (cont'd)

Effect of Exchange Differences

Foreign Currency Balances and Transactions

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Group, and the presentation currency for the financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings.

Earnings Per Share

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

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

Events After the Reporting Period

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Provisions, Contingent Assets and Liabilities

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

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

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

Investment Properties

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Income Taxes

According to Article 5/1(d) (4) of the New Corporate Tax Law No: 5520, the income of Real Estate Investment Trusts (“REIT”) is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

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

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

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

Deferred tax

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

Employee Benefits

Termination and retirement benefits:

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

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

Profit-sharing and bonus plans

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Statement of Cash Flows

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

Share Capital and Dividends

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

2.5 Segment Reporting

As the Group only operates in Turkey and in the field of real estate investment, there are no business segments apart from those disclosed in the notes regarding the revenue and the cost of sales and reporting details in accordance with geographic segments to be reported.

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the entity's accounting policies

In the process of applying the entity's accounting policies, which are described in Note 2.4, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements:

Useful lives of property, plant and equipment

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

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

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

The Group generally uses the final appreciation value in Independent valuation expert reports to determine fair value.

Borrowing costs

In accordance with TAS 23, the Group evaluates whether 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, will be added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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3. INTERESTS IN OTHER ENTITIES

a) Subsidiaries

Halk Yapı Projeleri Geliştirme A.Ş.

Shareholding of the Group in its subsidiaries are as follows:

	31 December 2020	31 December 2019
Halk Yapı Projeleri Geliştirme A.Ş.	100%	-

Financial information on Halk Yapı Projeleri Geliştirme A.Ş. is summarized below.

	31 December 2020	31 December 2019
Halk Yapı Projeleri Geliştirme A.Ş.		
Current assets	2,322,810	-
Non-current assets	12,500,000	-
Current liabilities	(6,183)	-

b) Joint Operations

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

	31 December 2020	31 December 2019
Halk GYO-Vakıf GYO Adi Ortaklığı	50%	50%
Halk GYO-Erkonut Adi Ortaklığı	50%	50%
Halk GYO-Teknik Yapı Adi Ortaklığı	50%	50%

Halk GYO-Vakıf GYO Joint Venture

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

	31 December 2020	31 December 2019
Halk GYO-Vakıf GYO Adi Ortaklığı		
Current assets	23,226,353	76,266,214
Non-current assets	10,184,977	9,892,027
Current liabilities	(1,839,047)	(3,922,897)
	1 January- 31 December 2020	1 January- 31 December 2019
Profit for the period	21,097,379	17,636,097

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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3. INTERESTS IN OTHER ENTITIES (cont'd)**b) Joint Operations (cont'd)****Halk GYO-Erkonut Joint Venture**

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

	31 December 2020	31 December 2019
Halk GYO-Erkonut Adi Ortaklığı	4,779,860	9,212,839
Current assets	(671,945)	(680,156)
Current liabilities	1 January- 31 December 2020	1 January- 31 December 2019
Profit for the period	<u>2,603,927</u>	<u>199,842</u>

Halk GYO-Teknik Yapı Joint Operation

Halk GYO-Teknik Yapı Joint Operation has been founded on 24 August 2017 in Turkey for operating as a joint operation with 50% shares and 50% voting rights. The Company owns 50% of the İzmir Project in İzmir. The residences in the project will be offered for sale. The financial information of Halk GYO-Teknik Yapı is summarized in the following tables. The financial information of Halk GYO-Teknik Yapı as per the shareholding and voting rights is as follows:

	31 December 2020	31 December 2019
Halk GYO-Teknik Yapı Adi Ortaklığı	20,615,282	19,530,554
Current assets	2,785,229	2,307,748
Non-current assets	(69,183,767)	(44,683,306)
Current liabilities	(9,236,746)	(10,254,938)
Non-current liabilities	1 January- 31 December 2020	1 January- 31 December 2019
Loss for the period	<u>(23,237,804)</u>	<u>(12,581,338)</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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4. RELATED PARTY DISCLOSURES

Transactions between the Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

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

	31 December 2020	31 December 2019
<u>Deposits at Halk Bank</u>		
Demand deposits	797,854	715,995
Time deposits	48,750,104	73,575,405
	<u>49,547,958</u>	<u>74,291,400</u>
<u>Balances with related parties</u>		
Halk Varlık Yönetimi A.Ş. lease certificate issuance (Note 22)	335,615,485	367,171,740
Short-term loans received from Halk Bank	47,231,352	31,143,131
Long-term loans received from Halk Bank	70,861,117	1,058,667
Halk Leasing financial lease agreement (Note 22)	26,391,408	21,549,682
	<u>480,099,362</u>	<u>420,923,220</u>

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4. RELATED PARTY DISCLOSURES (cont'd)

	31 December 2020					
	Receivables		Payables			Prepaid Expenses
	Short-term		Short-term		Long-term	Short-term
	Trade	Non-trade	Trade	Non-trade	Non-trade	Trade
Balances with related parties						
<u>Shareholders</u>						
Halkbank A.Ş.	60	-	8,742	47,231,352	70,861,117	-
<u>Other companies controlled by main shareholder</u>						
Halk Leasing Finansal Kiralama A.Ş. (*)	-	-	-	12,957,765	13,433,643	52,208
Halk Varlık Kiralama A.Ş.	-	-	-	335,615,485	-	-
	<u>60</u>	<u>-</u>	<u>8,742</u>	<u>395,804,602</u>	<u>84,294,760</u>	<u>52,208</u>
	31 December 2019					
	Receivables		Payables			Prepaid Expenses
	Short-term		Short-term		Long-term	Short-term
	Trade	Non-trade	Trade	Non-trade	Non-trade	Trade
Balances with related parties						
<u>Shareholders</u>						
Halkbank A.Ş.	627	-	10,322	31,143,131	1,058,667	-
<u>Other companies controlled by main shareholder</u>						
Halk Hayat ve Emeklilik A.Ş.	-	-	-	-	-	7,246
Halk Leasing Finansal Kiralama A.Ş. (*)	2,487	-	-	15,332,102	6,217,580	-
Halk Varlık Kiralama A.Ş.	-	-	-	367,171,740	-	-
Halk Sigorta A.Ş.	-	-	45,482	-	-	414,748
	<u>3,114</u>	<u>-</u>	<u>55,804</u>	<u>413,646,973</u>	<u>7,276,247</u>	<u>421,994</u>

(*) The Group signed a contract with Buga Otis Asansör Sanayi ve Ticaret A.Ş. concerning the purchase of the vertical procurement works (lift and escalator) services of Halk Office Towers, which will be built within the scope of the Istanbul International Financial Center project and for the financing of the aforementioned service purchase, the Group also signed a finance lease contract with Halk Finansal Kiralama A.Ş. Assets acquired through finance leases are recognized under investment properties and borrowing cost amounting to TL 6,514,813 has been capitalized based on the principal payment amounting to TL 18,591,391 in 2020 (31 December 2019: borrowing cost amounting to TL 4,157,949 based on the principal payment amounting to TL 7,303,798).

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4. RELATED PARTY DISCLOSURES (cont'd)

1 January - 31 December 2020						
Transactions with related parties	Interest income	Interest expenses	Currency difference expense	Rent income	Other expenses	Finance expense capitalized on investment properties
<u>Shareholders</u>						
Halkbank A.Ş.	(4,869,343)	10,003,142	-	(44,932,238)	695,365	(3,691,074)
<u>Other companies controlled by the parent</u>						
Halk Varlık Kiralama A.Ş.	-	33,734,958	-	-	-	(33,734,958)
Halk Hayat ve Emeklilik A.Ş. (*)	-	-	-	(20,029)	8,323	-
Halk Leasing Finansal Kiralama A.Ş.	-	811,929	5,702,884	-	-	(6,514,813)
Halk Sigorta A.Ş. (*)	-	-	-	-	314,966	-
	(4,869,343)	44,550,029	5,702,884	(44,952,267)	1,018,654	(43,940,845)

(*) The amount consists of building and health insurance services from Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. The concerned companies have been unconsolidated as of 31 March 2020.

1 January - 31 December 2019						
Transactions with related parties	Interest income	Interest expenses	Currency difference expense	Rent income	Other expenses	Finance expense capitalized on investment properties
<u>Shareholders</u>						
Halkbank A.Ş.	(6,602,940)	6,180,291	-	(43,610,622)	630,002	4,797,866
<u>Other companies controlled by the parent</u>						
Halk Varlık Kiralama A.Ş.	-	60,671,562	-	-	-	(60,671,562)
Halk Hayat ve Emeklilik A.Ş.	-	-	-	(76,861)	28,604	-
Halk Leasing Finansal Kiralama A.Ş.	-	2,234,707	2,191,728	-	-	(4,157,949)
Halk Sigorta A.Ş. (*)	-	-	-	-	1,348,288	-
	(6,602,940)	69,086,560	2,191,728	(43,687,483)	2,006,894	(60,031,645)

Compensation of key management personnel:

Key management personnel comprises members of board of directors and members of execution committee, general manager and deputy general manager. Compensation of key management personnel comprises salaries, premium, healthcare insurance and transportation. The remuneration of directors and other members of key management during the period is as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Salaries and other short-term benefits	2,071,198	1,963,398
	<u>2,071,198</u>	<u>1,963,398</u>

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5. TRADE RECEIVABLES AND PAYABLES**a) Trade Receivables:**

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

	31 December 2020	31 December 2019
<u>Short-term trade receivables</u>		
Trade receivables	5,431,937	11,624,875
Trade receivables from related parties (Note 4)	60	3,114
Provision for doubtful receivables (-)	(85,605)	(116,280)
	<u>5,346,392</u>	<u>11,511,709</u>

The short-term trade receivables of the Group arising from the residences sold and leased under the projects developed are as follows;

	31 December 2020	31 December 2019
<u>Short-term trade receivables from sale of residences and rental properties</u>		
Sale of residences	1,567,262	5,488,061
<i>Eskişehir Panorama Plus project</i>	-	1,388,928
<i>Bizimtepe Aydos project</i>	1,552,864	2,922,933
<i>Referans Bakırköy project</i>	-	938,552
<i>Erzurum Şehristan project</i>	14,398	237,648
Rental properties (*)	3,864,735	6,139,928
	<u>5,431,997</u>	<u>11,627,989</u>

(*)Lease receivables consist of trade receivables secured by guarantee letters.

As of 31 December 2020, the total of overdue trade receivables (notes) is TL 139,624 (31 December 2019: TL 1,408,956).

	31 December 2020	31 December 2019
<u>Long-term trade receivables</u>		
Trade receivables	1,592,477	4,470,954
Provision for doubtful receivables (-) (*)	(5,435)	(44,710)
	<u>1,587,042</u>	<u>4,426,244</u>

(*) Consists of provisions for losses expected within the scope of TFRS 9.

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	31 December 2020	31 December 2019
Long-term trade receivables from sale of residences and rental properties		
Sale of residences	1,592,477	4,470,954
<i>Bizimtepe Aydos project</i>	<i>1,592,477</i>	<i>3,082,027</i>
<i>Eskişehir Panorama Plus project</i>	<i>-</i>	<i>1,388,927</i>
	<u>1,592,477</u>	<u>4,470,954</u>

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5. TRADE RECEIVABLES AND PAYABLES (cont'd)

a) Trade Receivables (cont'd):

	1 January- 31 December 2020	1 January- 31 December 2019
Movement of allowance for doubtful receivables		
Opening balance	(160,990)	(161,350)
Provisions reversed	69,950	18,082
Charge for the period	-	(17,722)
Closing balance	(91,040)	(160,990)

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

b) Trade Payables:

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

	31 December 2020	31 December 2019
Short-term trade payables		
Trade payables	30,887,316	2,899,627
Trade payables to related parties (Note 4)	8,742	55,804
	30,896,058	2,955,431

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

6. INVENTORIES

Land stocks	31 December 2019			31 December 2020	
	Cost value	Addition	Disposal	Transfer	Cost value
Referans Bakırköy Residence Project ⁽¹⁾	314,639	-	(218,132)	-	96,507
Panaroma Plus Residence Project ⁽²⁾	2,242,080	-	(2,242,080)	-	-
Sancaktepe - Residence Project ⁽³⁾	53,255,447	-	(50,632,360)	(377,155)	2,245,932
Erzurum - Şehristan Project ⁽⁴⁾	4,043,415	-	(3,730,814)	-	312,601
İzmir Project ⁽⁵⁾	8,050,882	7,472,929	-	-	15,523,811
Total	67,906,463	7,472,929	(56,823,386)	(377,155)	18,178,851

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6. INVENTORIES (cont'd)

Land stocks	31 December 2018			31 December 2019	
	Cost value	Addition	Disposal	Transfer	Cost value
Referans Bakırköy Residence Project	473,957	-	(159,318)	-	314,639
Panaroma Plus Residence Project ⁽²⁾	4,633,813	-	(2,391,733)	-	2,242,080
Sancaktepe - Residence Project ⁽³⁾	69,511,723	-	(12,901,344)	(3,354,932)	53,255,447
Erzurum - Şehristan Project ⁽⁴⁾	27,714,455	-	(23,671,040)	-	4,043,415
İzmir Project ⁽⁵⁾	6,601,383	2,273,274	-	(823,775)	8,050,882
Total	108,935,331	2,273,274	(39,123,435)	(4,178,707)	67,906,463

⁽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 projected land cost of the Group is TL 31,765,625. The company received its first building license on 31 May 2012. There are 254 and 73 commercial units in the Referans Bakırköy project. The Group issued condominium deeds on 29 April 2015. In 2017, the Group realized sharing in-kind and while 27 independent units left to the contractor, 9 independent units remained in the Group. Within the period of 31 December 2020, 1 house sales revenue amounting to TL 357,000 and cost of sales amounting to TL 225,272 have been recorded (31 December 2019: transfer of 1 deeds, revenue in the amount of TL 808,000 and cost of sales relating to these sales amounting to TL 159,318. Cost of sales includes taxes, duties and charges). There is no restriction on the land stock.

⁽²⁾ The Group has obtained a construction license on a land of 13,073 square meters located in Eskişehir, Odunpazarı, Osmangazi Mahallesi, in lot no 1452 and parcel no 89, 90 and 110 on 22 April 2013. There are 97 residences and 5 commercial units in the project. The construction servitude and condominium title deeds of 97 residences and 5 commercial units were issued on 30 December 2014 and 2 November 2015, respectively. Within period of 31 December 2020, after the transfer of property deeds of 6 independent units, sales revenue amounting to TL 3,805,000 has been recognized under revenue and TL 3,713,572 has been recognized under cost of sales. (31 December 2019: transfer of 4 deeds, revenue in the amount of TL 2,770,000 and cost of sales relating to these sales amounting to TL 2,434,883). Cost of sales includes taxes, duties and charges. There is no restriction on the land stock.

⁽³⁾ As at 16 October 2014, a land was purchased in Istanbul, Sancaktepe, Samandıra Mahallesi for TL 110,000,000 by Halk GYO-Vakıf GYO Joint Operation for real estate development project. The main contractor services agreement was signed at 22 October 2015 and the construction permit was granted on 6 November 2015. The Company issued property deeds on 8 February 2019. As of 31 December 2020, delivery process of 226 independent units has been completed. Total sales amounting to TL 74,097,694 and TL 52,306,032 cost of sales have been recognized (31 December 2019: transfer of 59 independent units, sales income amounting to TL 17,629,163 and cost of sales amounting to TL 13,021,013 have been recognized as income from residence sales and cost of residences).

⁽⁴⁾ As at 1 April 2016, a land was purchased in Erzurum, Yakutiye, Gez Mahallesi for TL 17,500,000 by Halk GYO-Er Konut Joint Venture for real estate development project. A contract was signed with the main contractor company on 31 May 2016. A building license was obtained on 10 May 2016. The Company issued condominium deeds on 30 January 2019. As of 31 December 2020 delivery transactions of 31 independent units are completed. Total sales amounting 6,687,943 TL and 3,915,126 have been recognized as cost of sales (31 December 2019: transfer of 207 independent units, TL 33,455,033 and TL 24,167,797 have been recognized as cost of sales). There is no restriction on the land stock.

⁽⁵⁾ As of 24 August 2017, Halk GYO and Teknik Yapı Joint Operation signed a LSRSA contract for a mixed project on the parcels located in İzmir, Konak Province, Umurbey and Kuruçay districts and this amount comprise of the official expenses made for the project. There is no restriction on the land. In the scope of the 1st Phase LSRSA contract (Evora İzmir), the building licenses for 451 residences with Lot no. 7700 and Parcel no. 1 were received on 27 September 2018, the building licenses for 321 residences wit Lot no. 7689 and Parcel no. 1 were received on 2 November 2018, building licenses for 260 independent units consisting of 195 residence and 65 commercial units at Lot no 8110 and Parcel no 1, and for 2 commercial units at Lot no 8115 and Parcel no 3 were received on 30 June 2020, and total number of units for which the licenses were received is 1,034. As of 31 December 2020, a preliminary sales contract was signed for 364 independent units. (31 December 2019: for 34 independent units, a preliminary sales contract was signed.)

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7. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2020	31 December 2019
Short-Term Prepaid Expenses		
Order advances given (*)	741,107	9,557,421
Prepaid insurance expenses	390,014	421,994
Other	393,760	93,373
	<u>1,524,881</u>	<u>10,072,788</u>
	31 December 2020	31 December 2019
Long-Term Prepaid Expenses		
Order advances given (*)	108,632,994	96,714,586
Other	121,893	38,829
	<u>108,754,887</u>	<u>96,753,415</u>
	31 December 2020	31 December 2019
(*) Investment advances given		
İstanbul Finance Center project	108,627,627	96,709,219
İzmir Evora project	741,107	9,557,421
Caddebostan project	5,367	5,367
	<u>109,374,101</u>	<u>106,272,007</u>
	31 December 2020	31 December 2019
Short-Term Deferred Income		
Deferred residential sale income	61,051,324	11,939,883
Advance rents	56,963	1,483,414
	<u>61,108,287</u>	<u>13,423,297</u>
	31 December 2020	31 December 2019
Deferred Residence Sales Income		
İzmir Evora project	59,808,222	8,718,935
Bizimtepe Aydos project	809,031	2,140,027
İstanbul Salıpaazarı building	-	1,451,400
Erzurum Şehristan project	421,091	340,389
Bakırköy project	768	710,592
Eskişehir Odunpazarı project	12,212	61,954
	<u>61,051,324</u>	<u>13,423,297</u>

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8. INVESTMENT PROPERTIES

Fair value measurement of the Group's investment properties

As of 31 December 2020, the fair value of the Company's investment properties have been determined by Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. which is an appraisal firm not related to Group. Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş is authorized by CMB and has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value of the properties owned is determined according to the sample comparison approach and cost value that reflects the current transaction prices for similar properties.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2020 and 31 December 2019 are as follows:

	Fair value as of the reporting date			
	31 December	Level 1	Level 2	Level 3
	2020	TL	TL	TL
Land	42,070,000	-	42,070,000	-
Buildings	1,407,517,500	-	732,147,500	675,370,000
Investment properties under development	1,810,440,000	-	30,440,000	1,780,000,000
	<u>3,260,027,500</u>	<u>-</u>	<u>804,657,500</u>	<u>2,455,370,000</u>

	Fair value as of the reporting date			
	31 December	Level 1	Level 2	Level 3
	2019	TL	TL	TL
Land	32,400,000	-	32,400,000	-
Buildings	1,273,200,000	-	679,780,000	593,420,000
Investment properties under development	1,410,350,000	-	27,100,000	1,383,250,000
	<u>2,715,950,000</u>	<u>-</u>	<u>739,280,000</u>	<u>1,976,670,000</u>

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

Reconciliation of the property, plant and equipment valued at Level 3 at the beginning and end of the period is as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Opening balance	1,976,670,000	1,701,958,098
Total gain/loss - charged to profit/loss	233,659,678	138,587,377
Additions	229,870,322	136,124,525
Transfers from level 2 to level 3 (*)	15,170,000	-
Closing balance	<u>2,455,370,000</u>	<u>1,976,670,000</u>

(*) The Group has transferred the appraised values which have been also determined as ultimate value in the valuation reports of Ankara Başkent Building among its investment properties fair value of which were determined by sample comparison approach and appraised by the Income Discounting Method, from level 2 to level 3 as it represents the values of the related properties more accurately, as of 31 December 2020.

As of 31 December 2020, the total amount of insurance on investment properties is TL 1,639,801,010 (31 December 2019: TL 1,610,135,654). As of 31 December 2020, the total amount of capitalized finance expenses on investment properties is TL 146,102,832 (31 December 2019: TL 101,342,328).

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8. INVESTMENT PROPERTIES (cont'd)

	31 December 2019			Fair value difference	31 December 2020
	Fair value	Addition	Disposal		Fair value
Investment properties					
İstanbul Salıpaazarı Land	8,200,000	-	-	920,000	9,120,000
Erzurum Yakutiye Land	9,850,000	-	-	500,000	10,350,000
Erzurum Palandöken Lands	14,350,000	-	-	(1,750,000)	12,600,000
Sakarya Adapazarı Land	-	-	-	9,500,000	10,000,000
Total lands	32,400,000	-	-	170,000	42,070,000
İstanbul Karaköy Building	40,000,000	-	-	5,000,000	45,000,000
İstanbul Salıpaazarı Building	85,000,000	-	-	15,000,000	100,000,000
İzmir Konak Building-1	33,900,000	-	-	4,600,000	38,500,000
Ankara Kızılay Building	22,400,000	-	-	2,600,000	25,000,000
İstanbul Beyoğlu Building	33,350,000	27,255	-	1,622,745	35,000,000
İstanbul Beşiktaş Building	22,750,000	-	-	3,000,000	25,750,000
İstanbul Etiler Building	23,700,000	-	-	2,800,000	26,500,000
İstanbul Şişli Building	20,000,000	-	-	2,500,000	22,500,000
İzmir Konak Building-2	18,250,000	-	-	2,750,000	21,000,000
Ankara Başkent Building	14,000,000	-	-	1,170,000	15,170,000
İstanbul Bakırköy Building	27,750,000	-	-	3,250,000	31,000,000
Bursa Building	17,250,000	-	-	2,000,000	19,250,000
Ankara Bahçelievler Building-1	11,550,000	-	-	1,450,000	13,000,000
Kocaeli Building	14,500,000	-	-	1,500,000	16,000,000
İstanbul Fatih Building	14,975,000	-	-	1,775,000	16,750,000
Sakarya Adapazarı Building	9,500,000	-	-	(9,500,000)	-
Ankara Bahçelievler Building-2	8,250,000	-	-	1,150,000	9,400,000
İstanbul Ataköy Building	14,750,000	-	-	2,000,000	16,750,000
İstanbul Nişantaşı Building	11,500,000	-	-	1,000,000	12,500,000
Halkbank Finance Tower	313,200,000	-	-	36,455,000	349,655,000
Park Dedeman Levent Hotel	275,000,000	-	-	11,200,000	286,200,000
Kocaeli Şekerpınar A Block	138,500,000	-	-	32,500,000	171,000,000
Kocaeli Şekerpınar Office Project	94,920,000	125,499	-	7,954,501	103,000,000
Eskişehir B12 Apartment	685,000	-	(685,000)	-	-
Eskişehir B13 Apartment	710,000	-	(710,000)	-	-
Bizimtepe Aydos T 1-2-3 No BB Nursery	2,358,000	-	-	257,000	2,615,000
Bizimtepe Aydos T 17-18-19-20-21-22 No BB Market	1,666,500	-	-	173,500	1,840,000
Bizimtepe Aydos T 13 No BB Hairdresser	209,500	-	-	35,500	245,000
Bizimtepe Aydos T 16 No BB Nuts Shop	276,000	-	-	104,000	380,000
Bizimtepe Aydos T 26 No BB Real Estate Agency	325,500	-	-	2,000	327,500
Bizimtepe Aydos T 25 No BB Pharmacy	323,000	-	-	4,500	327,500
Bizimtepe Aydos T 23-24 No BB Real Estate Agency	1,046,500	-	-	13,500	1,060,000
Bizimtepe Aydos T 39-40-41-42-43-44 No BB Gift Shop	605,000	-	-	192,500	797,500
Bizimtepe Aydos T 27-28 No BB Real Estate Agency	-	92,250	-	162,750	255,000
Bizimtepe Aydos T 14 No BB Real Estate Agency16	-	103,601	-	141,399	245,000
Bizimtepe Aydos T 29-30-31-32 No BB Real Estate Agency17	-	181,305	-	318,695	500,000
Total buildings	1,273,200,000	529,910	(1,395,000)	(9,500,000)	1,448,825,510
İstanbul International Finance Center Project	1,383,250,000	229,744,823	-	167,005,177	1,780,000,000
İstanbul Caddebostan Building Project	27,100,000	82,128	(24,063)	3,281,935	30,440,000
Total investment properties					
under development	1,410,350,000	229,826,951	(24,063)	-	1,810,440,000
Total	2,715,950,000	230,356,861	(1,419,063)	-	3,260,027,500

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8. INVESTMENT PROPERTIES (cont'd)

	31 December 2018			Fair value difference	31 December 2019
	Fair value	Addition	Transfer		Fair value
Investment properties					
İstanbul Salıpaazarı Land	7,286,000	-	-	914,000	8,200,000
Erzurum Yakutiye Land	-	10,047,000	-	(197,000)	9,850,000
Erzurum Palandöken Land	-	14,637,000	-	(287,000)	14,350,000
Total lands	7,286,000	24,684,000	-	430,000	32,400,000
İstanbul Karaköy Building	37,825,000	-	-	2,175,000	40,000,000
İstanbul Salıpaazarı Building	81,056,000	-	-	3,944,000	85,000,000
İzmir Konak Building-1	28,794,550	-	-	5,105,450	33,900,000
Ankara Kızılay Building	18,714,823	-	-	3,685,177	22,400,000
İstanbul Beyoğlu Building	28,741,669	-	-	4,608,331	33,350,000
İstanbul Beşiktaş Building	21,346,000	-	-	1,404,000	22,750,000
İstanbul Etiler Building	20,526,000	-	-	3,174,000	23,700,000
İstanbul Şişli Building	18,844,404	-	-	1,155,596	20,000,000
İzmir Konak Building-2	16,186,796	-	-	2,063,204	18,250,000
Ankara Başkent Building	12,642,550	-	-	1,357,450	14,000,000
İstanbul Bakırköy Building	25,154,333	-	-	2,595,667	27,750,000
Bursa Building	16,110,000	-	-	1,140,000	17,250,000
Ankara Bahçelievler Building-1	10,770,670	-	-	779,330	11,550,000
Kocaeli Building	13,100,920	-	-	1,399,080	14,500,000
İstanbul Fatih Building	13,475,250	-	-	1,499,750	14,975,000
Sakarya Adapazarı Building	10,979,699	-	-	(1,479,699)	9,500,000
Ankara Bahçelievler Building 2	9,000,000	-	-	(750,000)	8,250,000
İstanbul Ataköy Building	12,954,666	-	-	1,795,334	14,750,000
İstanbul Nişantaşı Building	10,288,500	-	-	1,211,500	11,500,000
Halkbank Finance Tower	228,385,286	473,965	-	84,340,749	313,200,000
Park Dedeman Levent Hotel	246,138,000	-	-	28,862,000	275,000,000
Kocaeli Şekerpınar Block-A	137,773,786	-	-	726,214	138,500,000
Kocaeli Şekerpınar Office Project	77,995,312	-	-	16,924,688	94,920,000
Eskişehir B12 Apartment	680,248	-	-	4,752	685,000
Eskişehir B13 Apartment	703,173	-	-	6,827	710,000
Bizimtepe Aydos T 1-2-3 No BB Nursery	-	-	1,462,550	895,450	2,358,000
Bizimtepe Aydos T 17-18-19-20-21-22 No BB Market	-	-	799,931	866,569	1,666,500
Bizimtepe Aydos T 16 No BB Nuts Shop	-	-	103,601	105,899	209,500
Bizimtepe Aydos T 13 No BB Hairdresser	-	-	106,997	169,003	276,000
Bizimtepe Aydos T 26 No BB Real Estate Agency	-	-	135,420	190,080	325,500
Bizimtepe Aydos T 25 No BB Pharmacy	-	-	134,490	188,510	323,000
Bizimtepe Aydos T 23-24 No BB Real Estate Agency	-	-	323,378	723,122	1,046,500
Bizimtepe Aydos T 39-40-41-42-43-44 No BB Gift Shop	-	-	288,565	316,435	605,000
Total Buildings	1,098,187,635	473,965	3,354,932	171,183,468	1,273,200,000
İstanbul Finance Center Project	1,158,995,000	136,124,525	-	88,130,475	1,383,250,000
İstanbul Caddebostan Building Project	24,303,775	105,170	-	2,691,055	27,100,000
Total investment properties					
under development	1,183,298,775	136,229,695	-	90,821,530	1,410,350,000
Total	2,288,772,410	161,387,660	3,354,932	262,434,998	2,715,950,000

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL).)

8. INVESTMENT PROPERTIES (cont'd)

Investment Properties	Acquisition Date	Acquisition Amount	Appraisal Method	Appraisal Dste	Appraisal Value	Leases	Rent Income (2020)	Operating Expenses (2020) (TL)	Rent Income (2019) (TL)	Operating Expenses (2019) (TL)
İstanbul Salıpzarı Land	26 January 2018	5,178,343	Comparable Sales Approach	24 November 2020	9,120,000		-	62,012	-	54,094
Erzurum Yakutiye Land 1	30 September 2019	10,047,000	Comparable Sales Approach	22 December 2020	10,350,000		-	16,721	-	-
Erzurum Palandöken Land 2	5 September 2019	14,637,000	Comparable Sales Approach	11 - 22 December 2020	12,600,000		-	16,323	-	-
Sakarya Adapazarı Building 3	28 October 2010	5,960,000	Comparable Sales Approach	17 December 2020	10,000,000		-	19,342	-	17,793
Total lands		29,862,343			42,070,000		-	114,398	-	71,887
Ankara Bahçelievler Building 1	28 October 2010	6,681,356	Comparable Sales Approach	11 December 2020	13,000,000	Halk Bankası A.Ş.	970,205	19,178	932,748	74,878
Ankara Bahçelievler Building 2 4	28 October 2010	5,684,746	Comparable Sales Approach	4 December 2020	9,400,000	İpekyol Giyim Sanayi Pazarlama ve Ticaret A.Ş.	567,587	5,494	387,000	4,792
Ankara Başkent Building	28 October 2010	9,541,729	Revenue Discount Method	11 December 2020	15,170,000	Ceda Akaryakıt İnş. Emlak Tur. Ltd Şti, Halkbank A.Ş.	1,458,985	28,497	1,446,061	19,544
Ankara Kızılay Building	28 October 2010	12,475,237	Comparable Sales Approach	14 December 2020	25,000,000	Halk Bankası A.Ş.	1,851,863	41,225	1,775,067	34,102
Ataşehir Finance Tower	12 January 2012	126,548,795	Comparable Sales Approach	15 December 2020	349,655,000	Halk Bankası A.Ş.	18,249,000	3,163,659	16,785,000	454,945
Bursa Building	28 October 2010	8,500,000	Comparable Sales Approach	9 December 2020	19,250,000	Halk Bankası A.Ş.	1,313,486	25,982	1,235,849	18,496
Eskişehir B12 Apartment 5	24 January 2012	680,634	Comparable Sales Approach	-	-	Real Person	3,931	112	33,700	2,327
Eskişehir B13 Apartment 6	24 January 2012	607,604	Comparable Sales Approach	-	-	Real Person	4,023	120	33,544	2,490
İstanbul Ataköy Building	28 October 2010	5,061,500	Comparable Sales Approach	9 December 2020	16,750,000	Halk Bankası A.Ş.	1,088,208	18,137	1,034,060	15,979
İstanbul Bakırköy Building	28 October 2010	9,023,500	Comparable Sales Approach	9 December 2020	31,000,000	Halk Bankası A.Ş.	1,940,046	20,432	1,842,051	17,264
İstanbul Beşiktaş Building 7	27 October 2010	11,893,840	Comparable Sales Approach	10 December 2020	25,750,000	Halk Bankası A.Ş.	1,149,614	23,617	1,674,592	48,477
İstanbul Beyoğlu Building 8	28 October 2010	12,000,000	Comparable Sales Approach	16 October 2020	35,000,000	Halk Bankası A.Ş.	189,357	83,837	1,436,800	69,370
İstanbul Etiler Building	27 October 2010	11,000,000	Comparable Sales Approach	10 December 2020	26,500,000	Halk Bankası A.Ş.	1,376,578	53,743	1,306,182	37,456
İstanbul Fatih Building	28 October 2010	6,380,000	Comparable Sales Approach	9 December 2020	16,750,000	Halk Bankası A.Ş.	889,294	36,435	837,296	36,501
İstanbul Karaköy Building 9	2 November 2010	23,500,000	Comparable Sales Approach	2 December 2020	45,000,000	-	-	58,403	-	59,919
İstanbul Nişantaşı Building	2 November 2010	5,000,000	Comparable Sales Approach	9 November 2020	12,500,000	Halk Bankası A.Ş.	744,927	13,021	703,329	9,916
İstanbul Salıpzarı Building	28 October 2010	38,050,960	Revenue Discount Method	24 November 2020	100,000,000	Sapaz Otelcilik Turizm İnşaat Sanayi Ve Ticaret A.Ş.	4,111,400	380,172	5,932,952	281,086
İstanbul Şişli Building	2 November 2010	11,000,000	Comparable Sales Approach	9 December 2020	22,500,000	Halk Bankası A.Ş.	1,366,032	42,709	1,289,436	37,089
İzmir Konak Building-1	2 November 2010	13,400,000	Comparable Sales Approach	18 December 2020	38,500,000	Halk Bankası A.Ş.	1,820,396	60,465	1,758,321	96,751
İzmir Konak Building-2 10	2 November 2010	10,290,000	Comparable Sales Approach	22 December 2020	21,000,000	Halk Bankası A.Ş. , Halk Hayat ve Emeklilik A.Ş.	1,189,623	119,175	1,190,256	67,290
Kocaeli Building	28 October 2010	6,519,193	Comparable Sales Approach	9 December 2020	16,000,000	Halk Bankası A.Ş.	1,218,211	17,251	1,172,214	14,603
Kocaeli Şekerpınar Block-A	11 September 2012	67,860,443	Revenue Discount Method	24 November 2020	171,000,000	Halk Bankası A.Ş.	8,617,147	320,488	7,643,021	309,698
Kocaeli Şekerpınar Block-B 11	11 September 2012	39,830,221	Revenue Discount Method	24 November 2020	103,000,000	-	-	488,778	-	405,336
Levent Hotel Project 23	3 November 2010	91,186,481	Revenue Discount Method	2 December 2020	286,200,000	Dedeman Turizm Yönetimi A.Ş.	11,241,560	183,955	21,051,851	179,859
Bizimtepe Aydos T 1-2-3 No BB Nursery 12	10 April 2019	1,462,550	Comparable Sales Approach	6 November 2020	2,615,000	Yakın Ufuklar Eğitim Kurumları A.Ş.	182,535	6,026	82,167	1,213
Bizimtepe Aydos T 17-18-19-20-21-22 No BB Market 13	16 April 2019	799,931	Comparable Sales Approach	6 November 2020	1,840,000	Mopaş Marketçilik Gıda San. ve Tic. A.Ş.	156,131	1,861	58,450	643
Bizimtepe Aydos T 13 No BB Hairdresser 14	10 June 2019	103,601	Comparable Sales Approach	6 November 2020	245,000	Real Person	11,469	412	6,300	181
Bizimtepe Aydos T 16 No BB Nuts Shop 15	23 May 2019	106,997	Comparable Sales Approach	6 November 2020	380,000	Real Person	13,218	505	5,950	182
Bizimtepe Aydos T 26 No BB Real Estate Agency 16	19 September 2019	135,420	Comparable Sales Approach	6 November 2020	327,500	Akathı Grup Gayrimenkul İnş San ve Dış Tic Ltd Şti	14,700	529	-	64
Bizimtepe Aydos T 25 No BB Pharmacy 17	1 October 2019	134,490	Comparable Sales Approach	6 November 2020	327,500	Real Person	17,092	529	2,800	64
Bizimtepe Aydos T 23-24 No BB Real Estate Agency 18	30 October 2019	323,378	Comparable Sales Approach	6 November 2020	1,060,000	Akathı Grup Gayrimenkul İnş San ve Dış Tic Ltd Şti	51,483	1,402	274	144
Bizimtepe Aydos T 39-40-41-42-43-44 No BB Gift Shop 19	22 November 2019	288,565	Comparable Sales Approach	6 November 2020	797,500	Meşgalem Hediye San. A.Ş.	27,040	1,418	-	99
Bizimtepe Aydos T 27-28 No BB Real Estate Agency 20	27 March 2020	92,250	Comparable Sales Approach	6 November 2020	255,000	Akathı Grup Gayrimenkul İnş San ve Dış Tic Ltd Şti	6,000	133	-	-
Bizimtepe Aydos T 14 No BB Real Estae Agency 21	10 April 2020	103,601	Comparable Sales Approach	6 November 2020	245,000	Habitad Gayrimenkul İnş.Eml. Eğit. Danış.ve Paz. Tic. A.Ş	2,267	120	-	-
Bizimtepe Aydos T 29-30-31-32 No BB Real Estate Agency 22	27 April 2020	181,305	Comparable Sales Approach	6 November 2020	500,000	Akathı Grup Gayrimenkul İnş San ve Dış Tic Ltd Şti	9,000	261	-	-
Total buildings		536,448,326			1,407,517,500		61,852,408	5,218,081	71,657,271	2,300,758
İstanbul Caddebostan Urban Transformation Project	3 November 2010	6,300,000	Comparable Sales Approach	28 December 2020	30,440,000		-	-	-	-
İstanbul Finance Center Project	28 October 2010	229,846,920	Cost Method	17 December 2020	1,780,000,000		-	-	-	-
Total investment properties under development		236,146,920			1,810,440,000					
Total		802,457,589			3,260,027,500		61,852,408	5,332,479	71,657,271	2,372,645

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL).)

8. INVESTMENT PROPERTIES (cont'd)

- 1- Erzurum Yakutiye Land was transferred from Er Konut İnş.Taah. İnşaat Mlz. Nakliye ve Mad. Tic.San. A.Ş. to Halk GYO A.Ş. on 30 September 2019.
- 2- Erzurum Palandöken Land was transferred from Er Konut İnş.Taah. İnşaat Mlz. Nakliye ve Mad. Tic.San. A.Ş. to Halk GYO A.Ş. on 05 September 2019.
- 3- Upon detecting that Sakarya Adapazarı Building posed risks, the building was demolished and turned into a land, and classified as land in the financial statements.
- 4- Ankara Bahçelievler Building 2 lease contract has expired as of 24 May 2017; the building has been leased to İpekyol Giyim San. Paz. ve Tic. A.Ş. as of 1 April 2019.
- 5- Eskişehir Block B Apartment No 12 was sold on 11 February 2020 and there is no lease income as of this date.
- 6- Eskişehir Block B Apartment No 13 was sold on 11 February 2020 and there is no lease income as of this date.
- 7- Due to the building reinforcement work in İstanbul Beşiktaş Building, no lease income could be generated between 7 June 2020 – 11 October 2020.
- 8- Lease contract with T.Halk Bankası AŞ of İstanbul Beyoğlu Building terminated as of 15 February 2020. A new lease contract was signed with Taksim Yatırım Gayrimenkul AŞ as at 22 October 2020. Lease income will start to be generated after 20 months following the acquisition of the required permissions for building reinforcement.
- 9- İstanbul Karaköy Building lease contract was expired on 23 October 2017.
- 10- Lease contract with Halk Hayat ve Emeklilik AŞ., the lessee of İzmir Konak 2 building terminated as of 31 August 2020.
- 11- Marketing activities are ongoing for Kocaeli Şekerpınar Block B Building.
- 12- Bizimtepe Aydos T Blok Independent Sections Numbered 01,02,03 (Nursery) were leased to Yakın Ufuklar Eğitim Kurumları A.Ş. on 10 April 2019.
- 13- Bizimtepe Aydos Trade Block Independent Sections Numbered 17,18,19,20,21,22 (Market) were leased to Mopaş Marketçilik Gıda San ve Tic A.Ş. on 16 April 2019.
- 14- Bizimtepe Aydos Trade Block Independent Section Numbered 13 (Coiffeur) was leased to a real person on 23 May 2019.
- 15- Bizimtepe Aydos Trade Block Independent Section Numbered 16 (Dried fruits and nuts store) was leased to natural person on 10 June 2019.
- 16- Bizimtepe Aydos Trade Block Independent Section Numbered 26 (Real estate agency) was leased to Akatlı Grup Gayrimenkul İnş.San. ve Dış Tic.Ltd. Şti. on 19 September 2019.
- 17- Bizimtepe Aydos Trade Block Independent Section Numbered 25 (Pharmacy) was leased to a real person on 1 October 2019.
- 18- Bizimtepe Aydos Trade Block Independent Sections Numbered 23,24 (Real estate agency) were leased to Akatlı Grup Gayrimenkul İnş. San. ve Dış Tic. Ltd. Şti. on 30 October 2019.
- 19- Bizimtepe Aydos Trade Block Independent Sections Numbered 39,40,41,42,43,44 (Souvenir shop) were leased to a real person on 22 November 2019.
- 20- Bizimtepe Aydos Ticaret Blok Ticaret Block No. 27.28 Independent Sections (Realtor) was rented to Akatlı Group on 27 March 2020.
- 21- Bizimtepe Aydos Ticaret Blok Ticaret Block No. 14. Independent Sections (Realtor) was rented to Habitat Gayrimenkul İnş. Eml. Eğit. Ve Paz. A.Ş. on 10 April 2020.
- 22- Bizimtepe Aydos Ticaret Blok Ticaret Block No. 29.30,31,32 Independent Sections (Realtor) was rented to Akatlı Grup Gayrimenkul İnş. San. ve Dış Tic. Ltd. Şti. on 27 April 2020.
- 23- Lease contract with Dedeman Turizm Yönetimi A.Ş. of Levent Hotel Building terminated as of 31 December 2020, and a lease contract was signed with Caba İnşaat Enerji Tur. San. ve Tic. A.Ş. so as to be effective in 2021.

Operating leases

The Group as lessor

The Group has signed operating leases with Halkbank, Ceda Akaryakıt Turizm, Sapaz Otelcilik Turizm, Caba İnşaat Otelcilik, İpekyol Giyim, Yakın Ufuklar Eğitim, Mopaş Marketçilik, Akatlı Group and 4 real persons. As of 31 December 2020 and 31 December 2019 annual minimum lease amounts concerning the remaining lease terms are as follows:

Operating leases	31 December 2020	31 December 2019
Less than one year	52,366,961	58,923,363
Between one and five years	205,959,191	176,148,370
More than five years	241,762,696	164,322,235
	<u>500,088,848</u>	<u>399,393,968</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020**

(Amounts expressed in Turkish Lira (TL).)

9. PROPERTY, PLANT AND EQUIPMENT

Cost Value	Furniture and fixture	Leashold improvements	Right-of use assets (*)	Total
Opening balance as of 1 January 2020	2,010,704	3,678,796	2,017,401	7,706,901
Additions	577,830	2,045,738	514,567	3,138,135
Disposals	(52,163)	-	-	(52,163)
Closing balance as of 31 December 2020	<u>2,536,371</u>	<u>5,724,534</u>	<u>2,531,968</u>	<u>10,792,873</u>

Accumulated Depreciation				
Opening balance as of 1 January 2020	(1,287,940)	(1,330,177)	(664,185)	(3,282,302)
Charge for the period	(297,201)	(2,285,843)	(873,010)	(3,456,054)
Disposals	31,705	-	-	31,705
Closing balance as of 31 December 2020	<u>(1,553,436)</u>	<u>(3,616,020)</u>	<u>(1,537,195)</u>	<u>(6,706,651)</u>
Net carrying value as of 31 December 2020	<u>982,935</u>	<u>2,108,514</u>	<u>994,773</u>	<u>4,086,222</u>

Cost Value	Furniture and fixture	Leashold improvements	Right-of use assets (*)	Total
Opening balance as of 1 January 2019	1,855,540	670,527	-	2,526,067
Additions	166,181	2,184,494	2,017,401	4,368,076
Transfers	-	823,775	-	823,775
Disposals	(11,017)	-	-	(11,017)
Closing balance as of 31 December 2019	<u>2,010,704</u>	<u>3,678,796</u>	<u>2,017,401</u>	<u>7,706,901</u>

Accumulated Depreciation				
Opening balance as at 1 January 2019	(1,062,661)	(663,086)	-	(1,725,747)
Charge for the period	(235,779)	(667,091)	(664,185)	(1,567,055)
Disposals	10,500	-	-	10,500
Closing balance as of 31 December 2019	<u>(1,287,940)</u>	<u>(1,330,177)</u>	<u>(664,185)</u>	<u>(3,282,302)</u>
Net carrying value as of 31 December 2019	<u>722,764</u>	<u>2,348,619</u>	<u>1,353,216</u>	<u>4,424,599</u>

(*) Assets arising from operating leases consist of assets that the Group uses within the scope of building and vehicle lease contract.

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

	<u>Useful Life</u>
Furniture and fixture	5 years
Leasehold improvements	3 years
Right-of use assets	3 years

Depreciation expenses of TL 2,251,350 (31 December 2019: TL 951,045) have been charged in marketing expenses and TL 1,257,231 (31 December 2019: TL 616,010) have been charged in general administrative expenses.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL).)

10. INTANGIBLE ASSETS

<u>Cost Value</u>	<u>Other Intangible Assets</u>
Opening balance as of 1 January 2020	1,023,724
Additions	97,239
Closing balance as of 31 December 2020	<u>1,120,963</u>

<u>Accumulated Amortization</u>	
Opening balance as of 1 January 2020	(717,765)
Charge for the period	(52,527)
Closing balance as of 31 December 2020	<u>(770,292)</u>
Net carrying value as of 31 December 2020	<u>350,671</u>

<u>Cost Value</u>	<u>Other Intangible Assets</u>
Opening balance as of 1 January 2019	1,019,841
Additions	3,883
Closing balance as of 31 December 2019	<u>1,023,724</u>

<u>Accumulated Amortization</u>	
Opening balance as of 1 January 2019	(673,528)
Charge for the period	(44,237)
Closing balance as of 31 December 2019	<u>(717,765)</u>
Net carrying value as of 31 December 2019	<u>305,959</u>

Amortization expenses of TL 52,527 (31 December 2019: TL 44,237) have been charged in general administrative expenses.

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

	<u>Useful Life</u>
Other intangible assets	2-10 years

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

As at 31 December 2020 and 31 December 2019, lawsuit details is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
<u>Other short-term provisions</u>		
Lawsuit provision	-	2,036
	<u>-</u>	<u>2,036</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL).)

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

	Provision for legal claims
Balance as of 1 January 2020	2,036
Provision reversed	(2,036)
Balance as of 31 December 2020	-
	Provision for legal claims
Balance as of 1 January 2019	205,335
Additional provisions recognized	(203,299)
Balance as of 31 December 2019	2,036

b) Collateral, Pledge and Mortgage

As per the decision of the CMB, made in the meeting no. 28/780, dated 9 September 2009, in which the collateral-pledge-mortgages (“CPM”) given by publicly owned companies to the guarantee a third party’s debts;

For companies other than publicly owned investment trusts 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 would not give commitments, except for those given under normal course of their operations, to natural entities 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 would be reduced to nil until 31 December 2014.

The Group has ongoing 1 tax case on behalf of its own legal entity that is opened by the Group and it also has 13 lawsuits against the Group comprised of 3 consumer cases, 1 case in enforcement court, 1 negative declaratory action, 5 civil lawsuits, 1 case in civil court of first instance and 1 labor lawsuit, and 1 annulment suit in administrative court. There are 3 cases which has resulted in favor of the Group. 1 of these cases is a consumer case, and 2 of them is the case in the enforcement court. Upon the evaluation of the lawyers, no provision was made for the related lawsuits.

Halk GYO-Vakıf GYO Joint Venture has 1 case in enforcement court which is ongoing, and it also has 26 consumer cases, 2 civil lawsuits, 1 case proceeding in enforcement court and 1 appeal to Consumer Arbitration Committee against Halk GYO-Vakıf GYO joint venture. In addition, there are 2 consumer cases and 1 case in enforcement court which resulted in favor of Halk GYO-Vakıf GYO Joint Venture. Upon the evaluation of the lawyers, no provision was made for the related lawsuits.

There is no consumer cases filed by Halk GYO-Er konut Joint Venture. However, there is 1 case in first instance court filed and ongoing against the Joint Venture. Upon the evaluation of the lawyers, no provision was made for the related lawsuits.

There are 2 consumer cases, 1 case in civil court, 1 case in enforcement court and 2 significant administrative cases against Teknik Yapı-Halk GYO Joint Venture. Upon the evaluation of the lawyers, no provision was made for the related lawsuits.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020**

(Amounts expressed in Turkish Lira (TL).)

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)**b) Collateral, Pledge and Mortgage (cont'd)**

		<u>31 December 2020</u>	<u>31 December 2019</u>
A. CPMs Given for Company's Own Legal Personality		395,808,339	243,141,245
	-Collateral	245,808,339	93,141,245
	-Pledge	-	-
	-Mortgage	150,000,000	150,000,000
B. CPMs Given on Behalf of Fully Consolidated Companies		-	-
	-Collateral	-	-
	-Pledge	-	-
	-Mortgage	-	-
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties		162,181,423	123,314,837
	-Collateral	162,181,423	123,314,837
	-Pledge	-	-
	-Mortgage	-	-
D. Total Amount of Other CPMs		-	-
i. Total Amount of CPMs Given on Behalf of the Parent		-	-
	-Collateral	-	-
	-Pledge	-	-
	-Mortgage	-	-
ii. Total amount of CPMs given to on behalf of other Group Companies which are not in scope of B and C		-	-
	-Collateral	-	-
	-Pledge	-	-
	-Mortgage	-	-
iii. Total Amount of CPMs Given on Behalf of third parties which are not in scope of C		-	-
	-Collateral	-	-
	-Pledge	-	-
	-Mortgage	-	-
Total		<u>557,989,762</u>	<u>366,456,082</u>

A. CPMs Given for Company's Own Legal Personality	Project	CPM Type	31 December 2020	31 December 2019
Halk Bankası A.Ş.	Halkbank Finance Tower	Mortgage	150,000,000	150,000,000
İller Bankası A.Ş.	İstanbul Finance Center	Letter of Guarantee	244,899,015	92,161,474
T.C. İstanbul Büyükşehir Belediyesi	Dedeman Hotel	Letter of Guarantee	769,436	622,658
CNV Yapı Mimarlık San. Tic. A.Ş.	Caddebostan project	Guarantee Note	-	219,565
2,5 ve 8 No'lu Eskişehir İcra Müdürlükleri	Eskişehir project	Letter of Guarantee	126,448	124,108
Sakarya Elektrik Perakende Satış A.Ş.	Kocaeli project	Letter of Guarantee	13,440	13,440
			<u>395,808,339</u>	<u>243,141,245</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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

b) Collateral, Pledge and Mortgage (cont'd)

C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties	31 December 2020					
	Letter of Guarantee	Letter of Conveyance	Limit of Guarantee	The Company's Share 50%	Sales Under Guarantee	The Company's Share 50%
Halk GYO-Vakıf GYO Joint Ventures (*)	-	3,548,671	662,565,000	331,282,500	2,868,539	1,774,336
Halk GYO-Er Konut Joint Ventures (**)	-	2,562,175	180,000,000	90,000,000	1,782,544	1,281,088
Teknik Yapı-Halk GYO Joint Ventures (***)	118,252,000	200,000,000	-	-	-	159,126,000
Total	118,252,000	206,110,846	842,565,000	421,282,500	4,651,083	162,181,423

(*) The balance consists of the guarantor fee given to the banks that the Company agreed in consideration of the loan amount when the customers of the pre-sales of residences at Bizimtepe Aydos Project use loans from these banks to buy residences in the scope of the relevant projects.

(**) The balance consists of the guarantor fee given to the banks that the Company agreed in consideration of the loan amount when the customers of the pre-sales of residences at Erzurum Şehristan Project use loans from these banks to buy residences in the scope of the relevant projects.

(***) In accordance to Teknik Yapı-Halk GYO Joint Operation İzmir Project, the joint operation has given guarantee letters for İzmir Konak Stage 1 Land Sale of Revenue Sharing amounting to TL 118,252,000 and the letter of conveyance to T.Halk Bankası A.Ş amounting to TL 200,000,000 as at 31 December 2020.

C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties	31 December 2019					
	Letter of Guarantee	Letter of Conveyance	Limit of Guarantee	The Company's Share 50%	Sales Under Guarantee	The Company's Share 50%
Halk GYO-Vakıf GYO Joint Ventures	45,918,370	-	650,000,000	325,000,000	20,491,733	33,205,052
Halk GYO-Er Konut Joint Ventures	-	-	85,000,000	42,500,000	4,607,571	2,303,785
Teknik Yapı-Halk GYO Joint Ventures	50,112,000	125,500,000	-	-	-	87,806,000
Total	96,030,370	125,500,000	735,000,000	367,500,000	25,099,304	123,314,837

The proportion of other CPM given by the Group to the Group's equity is as follows:

	31 December 2020	Equity Rate	31 December 2019	Equity Rate
A. CPMs Given for Company's Own Legal Personality	395,808,339	13.53%	243,141,245	9.43%
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties				
<i>Halk GYO-Vakıf GYO Joint Ventures (*)</i>	<i>1,774,336</i>	<i>0.06%</i>	<i>33,205,052</i>	<i>1.29%</i>
<i>Halk GYO-Er Konut Joint Ventures (**)</i>	<i>1,281,088</i>	<i>0.04%</i>	<i>2,303,785</i>	<i>0.09%</i>
<i>Teknik Yapı-Halk GYO Joint Ventures (***)</i>	<i>159,126,000</i>	<i>5.44%</i>	<i>87,806,000</i>	<i>3.41%</i>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)**b) Collateral, Pledge and Mortgage (cont'd)**

As of 31 December 2020 and 31 December 2019 , Group's guarantee letters and notes received are as follows:

Collateral, Pledge and Mortgage Received	Project	CPM Type	31 December 2020	31 December 2019
YDA İnşaat San. Ve Tic. A.Ş.	İstanbul Finance Center	Letter of guarantee	131,362,964	144,617,238
Buga Otis Asansör San.ve Tic.A.Ş.	İstanbul Finance Center	Letter of guarantee	58,885,780	46,687,212
Dedeman Turizm Yönetimi A.Ş.	Levent Hotel (lessee)	Letter of guarantee	23,003,985	23,003,985
Sapaz Otelcilik Turizm İnşaat Sanayi Ve Ticaret A.Ş.	İstanbul Salıpzararı (lessee)	Letter of guarantee	10,233,361	9,500,000
Er Konut İnş. Taah. İnşaat Malz. Nak. ve Mad. Tic. A.Ş.	Erzurum Şehristan	Letter of guarantee	3,150,000	3,150,000
UCD Yapı A.Ş.	İzmir Evora	Guarantee note	1,878,588	1,830,490
Haldız İnşaat Otomotiv ve Tic. Ltd. Şti.	Bizintepe Aydos	Letter of guarantee	1,550,463	9,477,466
Entegre Proje Yönetim Dan.Müh.Tic. A.Ş.	İstanbul Finance Center	Letter of guarantee	1,326,617	720,000
Teknik Yapı Proje A.Ş.	İzmir Evora	Guarantee note	746,045	1,326,617
Teknik Gayrimenkul Geliştirme A.Ş.	İzmir Evora	Guarantee note	733,900	701,500
Kaf ve İzmir Zemin A.Ş. Adi Ortaklığı	İzmir Evora	Guarantee note	714,365	-
Taksim Yatırım Gayrimenkul A.Ş.	Beyoğlu Lease Contract	Guarantee note	594,720	-
İpekyol Giyim Sanayi Pazarlama ve Ticaret A.Ş.	Ankara Bahçelievler (lessee)	Letter of guarantee	350,000	300,000
Aktuna Ahşap San. ve Tic. Ltd Şti.	İzmir Evora	Guarantee note	207,638	-
Ceda Akaryakt İnşaat Emlak Tur. Tic. Ltd. Şti.	Ankara Başkent (lessee)	Letter of guarantee	200,000	200,000
CNV Yapı Mimarlık San. Tic. Ltd. Şti.	Caddebostan project	Letter of guarantee	124,775	379,775
Biskon Yapı A.Ş.	Referans Bakırköy	Letter of guarantee	-	240,300
YPU Yapı Proje Uygulama Ltd. Şti.	İstanbul Finance Center	Letter of guarantee	-	30,975
Direk Reklam İnş. San. Tic. A.Ş.	Sancaktepe Project	Letter of guarantee	-	344,895
Other			460,521	304,440
			<u>235,523,722</u>	<u>242,814,893</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in Turkish Lira (TL).)

12. EMPLOYEE BENEFITS**Short-term provisions for employee benefits**

	31 December 2020	31 December 2019
Employee bonus accruals	1,030,090	892,244
Unused vacation accruals	778,539	700,645
	<u>1,808,629</u>	<u>1,592,889</u>

Long-term provisions for employee benefits

	31 December 2020	31 December 2019
Retirement pay provision	817,067	740,620
	<u>817,067</u>	<u>740,620</u>

Provision for retirement pay liability:

The movements of provision for retirement pay liability in the accounting periods for the years ended with 31 December 2020 and 31 December 2019, are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Provision as of 1 January	740,620	529,935
Service cost	20,527	144,877
Interest cost	31,233	20,346
Retirement pay paid	(67,836)	(12,431)
Actuarial loss/gain	92,523	57,893
Provision as of 30 June	<u>817,067</u>	<u>740,620</u>

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

The amount payable consists of one month's salary limited to a maximum of TL 7,117.17 for each period of service at 31 December 2020 (31 December 2019: TL: 6,739.86).

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL).)

12. EMPLOYEE BENEFITS (cont'd)

Provision for retirement pay liability (cont'd):

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2020, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 3.85% real discount rate (31 December 2019: 4.21%) calculated by using 9% annual inflation rate and 13.20% interest rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 17.07% for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling amount of TL 7,638.96 which is in effect since 1 April 2020 is used in the calculation of Group's provision for retirement pay liability (1 January 2019: TL 6,730.15).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate. If the discount rate would have been 1% higher/(lower), provision for employee termination benefits would decrease/(increase) by TL 110,537 / TL (133,508). If the anticipated turnover rate would have been 1% lower/(higher) while all other variables were held constant, provision for employee termination benefits would decrease/(increase) by TL (5,029) / TL 4,869.

13. OTHER ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
<u>Other Current Assets</u>		
Value added tax ("VAT") carried forward (*)	29,734,324	26,337,910
Deposits and guarantees given	76,143	233,779
Business advances given	15,938	13,198
Other	894,381	842,402
	<u>30,720,786</u>	<u>27,427,289</u>

	31 December 2020	31 December 2019
<u>Other Non-current Assets</u>		
Value added tax ("VAT") carried forward (**)	33,748,888	25,120,626
	<u>33,748,888</u>	<u>25,120,626</u>

		31 December 2020	31 December 2019
(*) Details of Value Added Tax ("VAT") Carried Forward	Project		
Halk GYO-Vakıf GYO Joint Venture	Bizimtepe Aydos	19,013,881	19,602,752
Halk GYO-Erkonut Joint Venture	Erzurum Şehristan	4,417,144	4,830,515
Halk GYO-Teknik Joint Venture	İzmir Evora	4,052,360	1,904,643
Halk Yapı Projeleri Geliştirme A.Ş.		2,250,939	-
		<u>29,734,324</u>	<u>26,337,910</u>

(**) As of 31 December 2020, the VAT balance of Halk GYO amounting to TL 33,748,888 is recognized under other non-current assets since collection is expected in long-term (31 December 2019: TL 25,120,626).

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL).)

13. OTHER ASSETS AND LIABILITIES (cont'd)

	31 December 2020	31 December 2019
<u>Other Current Liabilities</u>		
Deposits and guarantees received (*)	10,870,101	7,922,896
Taxes and funds payable	1,005,627	464,690
Other miscellaneous payables and liabilities	514,663	480,454
	<u>12,390,391</u>	<u>8,868,040</u>

(*) Deposits and guarantees received consist of cash guarantees received from contractors for projects under construction.

14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 31 December 2020 and 31 December 2019 the share capital held is as follows:

Shareholders	Group	%	31 December 2020	%	31 December 2019
Halkbank	A	1.58	15,326,700	1.58	14,663,070
Halkbank(*)	B	70.38	682,707,471	70.38	653,146,923
Halk Yatırım Menkul Değerler A.Ş.	A	0.04	366,038	0.04	350,189
Halk Finansal Kiralama AŞ	A	<0.01	1	<0.01	1
Publicly traded	B	28.00	271,599,790	28.00	259,839,817
Nominal capital		100	970,000,000	100	928,000,000
Total capital			<u>970,000,000</u>		<u>928,000,000</u>

(*) Türkiye Halk Bankası A.Ş. has 71,434,390.375, and Halk GYO A.Ş. has 27,346,398.639 nominal shares in the publicly traded held group as of 31 December 2020 (31 December 2019: 68,341,356 shares).

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

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

The Company has been established 1,500,000,000 shares with registered capital ceiling of TL 1,500,000,000 each with par value of TL 1. The Company's issued capital is 970,000,000 shares amounting to TL 970,000,000. All capital has been committed by the founders; TL 196,217,979 paid in cash, TL 307,500,000 incorporated into capital from reserves and TL 466,282,021 paid in kind (real estates). TL 466,282,021 of the share capital has been paid in kind by main shareholder Halkbank.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL).)

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

a) Share Capital (cont'd)

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 prior years' profit.

As of 5 June 2014, the Company increased its share capital by TL 24,261,296 from prior years' profit.

As of 11 June 2015, the Company increased its share capital to TL 743,000,000 by transferring TL 45,100,000 from prior years' profit to share capital.

As of 25 May 2016, the Company increased its share capital to TL 790,000,000 by transferring TL 47,000,000 from prior years' profit to share capital.

As of 15 August 2017, the Company increased its share capital to TL 820,000,000 by transferring TL 30,000,000 from prior years' profit to share capital.

As of 8 June 2018, the Company increased its share capital to TL 858,000,000 by transferring TL 38,000,000 from prior years' profit to share capital.

As of 17 June 2019, the Company increased its share capital to TL 928,000,000 by transferring TL 70,000,000 from prior years' profit to share capital.

As of 20 August 2020, the Company increased its share capital to TL 970,000,000 by transferring TL 42,000,000 from prior years' profit to share capital.

b) Treasury shares acquired

The Company's treasury shares acquired are accounted for at cost of repurchased shares out of the publicly traded shares. The Company holds 27,346,399 treasury shares as of 31 December 2020 (31 December 2019: 26,162,328 shares). The details of the treasury shares acquired for the year ended 31 December 2020 are as follows:

Transaction	Transaction date	Nominal value	Weighted average share price	Transaction amount
Repurchased shares	26 February 2013	933,649	1.34	1,251,090
Repurchased shares	27 February 2013	736,571	1.34	987,004
Repurchased shares	28 February 2013	1,000,000	1.34	1,340,000
Repurchased shares	1 March 2013	2,297,269	1.32	3,021,922
Repurchased shares	5 March 2013	3,455,130	1.33	4,608,678
Repurchased shares	11 March 2013	457,867	1.32	604,384
Repurchased shares	12 March 2013	586,245	1.32	773,843
Repurchased shares	15 March 2013	2,000,000	1.32	2,640,000
Repurchased shares	21 March 2013	7,210,586	1.33	9,582,612
Bonus shares from incorporating reserves	20 June 2013	314,024	-	-
Bonus shares from incorporating reserves	5 June 2014	683,977	-	-
Bonus shares from incorporating reserves	11 June 2015	1,271,466	-	-
Bonus shares from incorporating reserves	25 May 2016	1,325,030	-	-
Bonus shares from incorporating reserves	17 August 2017	845,764	-	-
Bonus shares from incorporating reserves	8 June 2018	1,071,301	-	-
Bonus shares from incorporating reserves	17 June 2019	1,973,449	-	-
Bonus shares from incorporating reserves	20 August 2020	1,184,071	-	-
Total repurchased shares		<u>27,346,399</u>		<u>24,809,533</u>

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14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)**c) Share premiums/discounts**

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

d) Restricted reserves appropriated from profit

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's paid-in capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted. In accordance with the Turkish Commercial Code, the Company has to appropriate restricted reserve equivalent to the Company's treasury shares acquired. Such reserve can only be released in the amount of any sold or destroyed shares valued at acquisition cost. As of 31 December 2020, the Company's restricted reserves appropriated from profit are comprised of legal reserves amounting to TL 52,735,975 (31 December 2019: TL 49,937,018).

15. REVENUE AND COST OF SALES

	1 January- 31 December 2020	1 January- 31 December 2019
a) Sales		
Total income on properties	146,800,045	126,274,467
<i>Income from sale of residence (*)</i>	84,947,637	54,617,196
<i>Rental income</i>	61,852,408	71,657,271
Total income on debt instruments	5,065,818	3,704,407
<i>Interest income on deposits</i>	5,065,818	3,704,407
	<u>151,865,863</u>	<u>129,978,874</u>

(*) The Group recognized net sales amounting to 84,947,637 for the year ended 31 December 2020 after the committed property was transferred to the customer and the performance obligation guaranteed in the contract is fulfilled when customers had the control of the properties.

	1 January- 31 December 2020	1 January- 31 December 2019
b) Cost of Sales		
Cost of sales of residence	60,160,002	39,783,010
Insurance expenses	1,050,923	860,697
Property tax expenses	1,242,729	1,017,029
Expenses of maintenance, repair and participation in general expenses	38,892	224,962
Consulting and support service expenses	368,026	202,400
Tax and duty expenses	2,631,909	67,557
	<u>65,492,481</u>	<u>42,155,655</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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16. EXPENSES BY NATURE

	1 January- 31 December 2020	1 January- 31 December 2019
Cost of residence sales	60,160,002	39,783,010
Personnel expenses	12,938,210	10,854,041
Advertisement expenses	4,853,445	1,782,632
Depreciation and amortization expenses	3,508,581	1,611,292
Commission expenses	2,510,850	333,267
Taxes and duties	4,225,227	657,367
Building common expenses	795,352	1,542,499
Insurance expenses	1,050,923	860,697
Outsource service expenses	961,595	144,266
Property tax expenses	1,242,729	1,017,029
Maintenance expenses	413,804	380,376
Consulting expenses	1,112,427	889,721
Stationery and IT related expenses	160,859	151,627
Travel and car expenses	119,319	986,503
Rent expenses	115,473	545,079
Charity and donations	-	625,000
Other	229,623	126,229
	<u>94,398,419</u>	<u>62,290,635</u>

17. GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES

	1 January- 31 December 2020	1 January- 31 December 2019
General administrative expenses (-)	18,309,513	15,141,458
Marketing and sales expenses (-)	10,596,425	4,993,522
	<u>28,905,938</u>	<u>20,134,980</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS
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**17. GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES
(cont'd)****a) Details of General Administrative Expenses**

	1 January- 31 December 2020	1 January- 31 December 2019
Personnel expenses	12,166,321	10,441,782
Advertisement expenses	1,662,924	808,850
Depreciation and amortization charges	1,257,231	616,010
Outsource servise expenses	961,595	144,266
Taxes and duties	1,022,865	430,131
Maintanance expenses	374,912	155,414
Consulting expenses	468,721	390,383
Stationery and IT related expenses	160,859	151,627
Travel and car expenses	119,319	986,503
Rent expenses	17,026	355,883
Donations and charity	-	625,000
Other	97,740	35,609
	<u>18,309,513</u>	<u>15,141,458</u>

b) Details of Marketing Expenses

	1 January- 31 December 2020	1 January- 31 December 2019
Advertisement expenses	3,190,521	973,782
Commission expenses (*)	2,510,850	333,267
Depreciation and amortization charges	2,251,350	995,282
Consulting expenses	275,680	296,938
Building common expenses	795,352	1,542,499
Taxes and duties	570,453	159,679
Sales office rent expenses	98,447	189,196
Personnel expenses	771,889	412,259
Other	131,883	90,620
	<u>10,596,425</u>	<u>4,993,522</u>

(*) The amount comprises sales commissions paid related to the property projects.

Details of Personnel Expenses

	1 January- 31 December 2020	1 January- 31 December 2019
Wages and salaries	8,762,283	7,671,854
Social Security Instituion employer's shares	1,383,832	1,126,608
Insurance expenses	662,993	584,624
Board of directors' remunerations	647,096	466,944
Provision expenses for retirement pay and unused vacation	604,278	557,254
Other	877,727	446,757
	<u>12,938,210</u>	<u>10,854,041</u>

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18. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities:

	1 January- 31 December 2020	1 January- 31 December 2019
Income on indemnified guarantees and penalties	-	934,018
Foreign exchange gains arising from activities	2,321,853	663,112
Incentives and discounts from public institutions	-	162,622
Income from waiver and cancellation of promise of sale	325,446	52,701
Provisions released	70,246	209,483
Other income	587,402	266,432
	<u>3,304,947</u>	<u>2,288,368</u>

Other expenses from operating activities:

	1 January- 31 December 2020	1 January- 31 December 2019
Foreign exchange difference expense arising from activities	(3,632,521)	(446,391)
Delay interest discounts	(228,312)	-
Other expenditures related to sales returns	(290,358)	-
Non-deductible VAT	(112,500)	-
Other expenses	(26,833)	(35,361)
	<u>(4,290,524)</u>	<u>(481,752)</u>

19. FINANCE EXPENSES

	1 January- 31 December 2020	1 January- 31 December 2019
Interest expenses from bank loans	12,476,648	9,250,624
Commission expenses	15,615,448	984,199
Expenses on finance leases	6,514,813	4,426,436
Short-term lease certificate interest expenses	28,968,027	55,699,510
Expenses on operating leases	354,672	192,515
Other expenses	-	-
	<u>63,929,609</u>	<u>70,553,284</u>
Less: Amounts included in the investment properties	<u>(44,760,505)</u>	<u>(60,031,645)</u>
Finance expense	<u>19,169,104</u>	<u>10,521,639</u>

20. INCOME TAXES

According to the Article 5/1(d) (4) of the Corporate Tax Law numbered 520, earnings of real estate investment trusts are exempt from Corporate Income Tax in Turkey.

21. EARNINGS PER SHARE

Earning per share	1 January- 31 December 2020	1 January- 31 December 2019
The average number of shares during the year (full value)	970,000,000	970,000,000
Net profit of the shareholders	352,452,465	321,408,214
Earnings per share from continuing or discontinued operations	0.3634	0.3313

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22. FINANCIAL INSTRUMENTS**Financial Liabilities**

	31 December 2020	31 December 2019
Financial Liabilities		
a) Borrowing Instruments	335,615,485	367,171,740
b) Bank Loans	118,092,468	43,068,298
c) Finance Lease Payables(*)	26,391,408	21,549,682
d) Operating Lease Payables	1,117,575	1,617,415
	<u>481,216,936</u>	<u>433,407,135</u>

(*) The Group signed an agreement with Buga Otis Asansör Sanayi ve Ticaret A.Ş. within the scope of service procurement for vertical transports (elevator and escalator) in Halk Office Towers to be built related to the project of Istanbul International Finance Center and signed financial lease agreement with Halk Finansal Kiralama A.Ş. for relevant service procurement.

	31 December 2020	31 December 2019
Borrowing Instruments		
Short-term lease certificates	335,615,485	367,171,740
	<u>335,615,485</u>	<u>367,171,740</u>

The Group's lease certificate issue is detailed as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Rate of Return</u>	<u>Nominal Value</u>	<u>Amortization Date</u>	<u>Amortization Amount</u>
19 December 2017	16 March 2018	13.25%	100,000,000	16 March 2018	103,158,384
16 March 2018	20 June 2018	13.40%	100,000,000	20 June 2018	103,528,384
23 March 2018	20 June 2018	13.40%	25,000,000	20 June 2018	25,816,849
20 June 2018	19 September 2018	17.00%	125,000,000	19 September 2018	130,297,945
19 September 2018	19 December 2018	27.00%	125,000,000	19 December 2018	133,430,181
12 October 2018	22 January 2019	27.50%	75,000,000	22 January 2019	80,763,699
19 December 2018	16 April 2019	23.60%	170,000,000	16 April 2019	182,970,150
22 January 2019	21 May 2019	22.50%	80,000,000	21 May 2019	85,868,480
16 April 2019	20 August 2019	22.75%	180,000,000	20 August 2019	194,136,120
21 May 2019	17 September 2019	23.50%	75,000,000	17 September 2019	80,746,200
20 August 2019	17 December 2019	17.50%	205,000,000	17 December 2019	216,696,070
17 September 2019	7 January 2020	14.90%	75,000,000	7 January 2020	78,429,000
9 October 2019	10 March 2020	14.00%	100,000,000	10 March 2020	105,868,400
17 December 2019	12 May 2020	10.90%	185,000,000	12 May 2020	193,121,130
7 January 2020	2 June 2020	10.40%	75,000,000	2 June 2020	78,141,300
10 March 2020	18 August 2020	9.80%	75,000,000	18 August 2020	78,242,025
2 June 2020	29 September 2020	8.60%	100,000,000	29 September 2020	102,803,800
12 Mayıs 2020	6 October 2020	9.00%	75,000,000	6 October 2020	77,718,525
18 August 2020	13 January 2021	11.50%	40,000,000	13 January 2021	-
29 September 2020	24 February 2021	13.15%	120,000,000	24 February 2021	-
6 October 2020	10 March 2021	13.15%	120,000,000	10 March 2021	-
23 December 2020	6 April 2021	17.4%	46,000,000	6 April 2021	-

The Group's commercial bill issue is detailed as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Rate of Return</u>	<u>Nominal Value</u>	<u>Amortization Date</u>	<u>Amortization Amount</u>
6 October 2017	30 March 2018	14.10%	93,668,000	30 March 2018	100,000,213
30 March 2018	19 September 2018	14.85%	74,739,200	19 September 2018	80,000,000
19 September 2018	21 December 2018	28.50%	46,615,000	21 December 2018	50,000,000

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22. FINANCIAL INSTRUMENTS (cont'd)**Financial Liabilities (cont'd)**

	31 December 2020	31 December 2019
Bank Loans		
Short-term bank loans	6,313,225	38,612,972
Short-term portion of long term bank loans	40,918,126	3,396,659
Long-term bank loans	70,861,117	1,058,667
	<u>118,092,468</u>	<u>43,068,298</u>

Interest rates of financial liabilities are as follows:

Financial Instrument	Currency	Weighted average interest rate	31 December 2020	
			Short-term	Long-term
Lease certificates	TL	13.53%	335,615,485	-
Fixed rate loans	TL	9.76%	47,231,351	70,861,117
Financial lease agreement	EUR	5.10%	12,957,765	13,433,643
Operating lease agreement	TL	23.5%	757,030	298,793
Operating lease agreement	EUR	5.10%	61,752	-
			<u>396,623,383</u>	<u>84,593,553</u>

Financial Instrument	Currency	Weighted average interest rate	31 December 2019	
			Short-term	Long-term
Lease certificates	TL	12.62%	367,171,740	-
Floating rate loans	TL	15.07%	38,612,972	-
Fixed rate loans	TL	8.00%	3,396,659	1,058,667
Financial lease agreement	EUR	5.10%	15,719,844	5,829,838
Operating lease agreement	TL	23.5%	418,721	966,379
Operating lease agreement	EUR	5.10%	66,752	165,563
			<u>425,386,688</u>	<u>8,020,447</u>

Maturities of bank borrowings are as follows:

	31 December 2020	31 December 2019
Less than 1 year	396,623,383	425,386,688
Between 1-2 years	59,608,580	5,937,754
Between 2-3 years	23,975,740	2,082,693
Between 3-4 years	1,009,233	-
	<u>481,216,936</u>	<u>433,407,135</u>

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Group manages its capital to ensure that it will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 22, comprising cash and cash equivalents, issued capital, reserves and prior years' profit.

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

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

During 2020, the Group's strategy has not been change from 2019. As of 31 December 2020 and 31 December 2019 the net debt/capital ratio calculated as net debt divided by total capital (net debt is calculated as total borrowings less cash and cash equivalents and short-term financial investments) is as follows:

	31 December 2020	31 December 2019
Financial Liabilities	481,216,936	433,407,135
Less: Cash and Cash Equivalents	(49,553,215)	(74,285,277)
Net Debt	431,663,721	359,121,858
Total Shareholders Equity	2,926,488,712	2,578,219,682
Total Share Capital	970,000,000	928,000,000
Gearing ratio	45%	39%

b) Financial Risk Factors

The Group's activities expose it to market risk (currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Group's risk management programme generally focuses on uncertainty in financial markets and minimizing potential negative effects on Group's financial performance.

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

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)*b.1) Credit risk management***Details of credit risk by class of financial instruments**

	Receivables				
	Trade Receivables		Other Receivables		Deposits at Banks
31 December 2020	Related Parties	Other	Related Parties	Other	
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	60	6,933,374	-	-	49,553,215
- Secured portion of the maximum credit risk by guarantees, etc. (**)	-	3,950,340	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	60	6,933,374	-	-	49,553,215
B. Net book value of financial assets that are past due but not impaired	-	-	-	-	-
C. Net book value of the impaired assets					
- Past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

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

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

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)*b.1) Credit risk management (cont'd)***Details of credit risk by class of financial instruments**

	Receivables				
	Trade Receivables		Other Receivables		Deposits at Banks
31 December 2019	Related Parties	Other	Related Parties	Other	
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	3,114	15,934,839	-	-	74,285,277
- Secured portion of the maximum credit risk by guarantees, etc. (**)	-	6,139,928	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	3,114	15,934,839	-	-	74,285,277
B. Net book value of financial assets that are past due but not impaired	-	1,408,956	-	-	-
C. Net book value of the impaired assets	-	-	-	-	-
- Past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

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

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

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)***b.1) Credit risk management (cont'd)***

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

b.2) Liquidity risk management

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

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

Liquidity risk table:**31 December 2020**

<u>Contractual Terms</u>	<u>Carrying value</u>	<u>Total Contractual</u>			
		<u>Cash Outflows</u> <u>(I+II+III)</u>	<u>Less than 3</u> <u>months (I)</u>	<u>3 to 12 months</u> <u>(II)</u>	<u>1 to 5 years</u> <u>(III)</u>
Non-derivative financial liabilities					
Bank loans	118,092,468	135,175,550	6,847,441	43,265,664	85,062,445
Debt securities issued	335,615,485	343,245,348	294,964,760	48,280,588	-
Financial lease liabilities	26,391,408	27,926,180	5,486,637	7,736,660	14,702,882
Long-term liabilities from operating lease	1,117,575	1,192,483	293,240	579,102	320,141
Trade payables	30,896,058	30,896,058	30,896,058	-	-
Other liabilities	1,520,290	1,520,290	1,520,290	-	-
Total liabilities	513,633,284	539,955,909	340,008,426	99,862,015	100,085,469

31 December 2019

<u>Contractual Terms</u>	<u>Carrying value</u>	<u>Total Contractual</u>			
		<u>Cash Outflows</u> <u>(I+II+III)</u>	<u>Less than 3</u> <u>months (I)</u>	<u>3 to 12 months</u> <u>(II)</u>	<u>1 to 5 years</u> <u>(III)</u>
Non-derivative financial liabilities					
Bank loans	43,068,298	43,386,360	39,507,983	2,685,031	1,193,346
Debt securities issued	367,171,740	377,418,530	184,297,400	193,121,130	-
Financial lease liabilities	21,549,682	22,477,343	3,873,327	11,619,981	6,984,035
Long-term liabilities from operating lease	1,617,415	2,076,075	346,182	853,301	876,592
Trade payables	2,955,431	2,955,431	2,955,431	-	-
Other liabilities	945,144	945,144	945,144	-	-
Total liabilities	437,307,710	449,258,883	231,925,467	208,279,443	9,053,973

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)*b.3) Market risk management*

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

b.3.1) Foreign currency risk management

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

	31 December 2020		
	TL Amount	US Dollar	Euro
1. Trade Receivables	-	-	-
2a. Monetary Financial Assets	-	-	-
2b. Non-monetary Financial Assets	-	-	-
3. Other	-	-	-
4. CURRENT ASSETS	-	-	-
5. Trade Receivables	52,208	-	5,796
6a. Monetary Financial Assets	-	-	-
6b. Non-monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	52,208	-	5,796
9. TOTAL ASSETS	52,208	-	5,796
10. Trade Payables	-	-	-
11. Financial Liabilities	13,019,517	-	1,445,344
12a. Monetary Other Liabilities	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-
13. CURRENT LIABILITIES	13,019,517	-	1,445,344
14. Trade Payables	-	-	-
15. Financial Liabilities	13,433,643	-	1,491,318
16a. Monetary Other Liabilities	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-
17. NON-CURRENT LIABILITIES	13,433,643	-	1,491,318
18. TOTAL LIABILITIES	26,453,160	-	2,936,662
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	-	-	-
19.a. Assets on foreign currency derivative instruments	-	-	-
19.b. Liabilities on foreign currency derivative instruments	-	-	-
20. Net Foreign Currency Assets/Liabilities Position	(26,400,952)	-	(2,930,867)
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-12a-14-16a)	(26,400,952)	-	(2,930,867)

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)***b.3.1) Foreign currency risk management (cont'd)***

	31 December 2019		
	TL Amount	US Dollar	Euro
1. Trade Receivables	-	-	-
2a. Monetary Financial Assets	938,552	158,000	-
2b. Non-monetary Financial Assets	-	-	-
3. Other	-	-	-
4. CURRENT ASSETS	938,552	158,000	-
5. Trade Receivables	2,581	-	388
6a. Monetary Financial Assets	-	-	-
6b. Non-monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	2,581	-	388
9. TOTAL ASSETS	941,133	158,000	388
10. Trade Payables	802	135	-
11. Financial Liabilities	15,276,116	-	2,296,953
12a. Monetary Other Liabilities	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-
13. CURRENT LIABILITIES	15,276,918	135	2,296,953
14. Trade Payables	-	-	-
15. Financial Liabilities	6,505,883	-	978,240
16a. Monetary Other Liabilities	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-
17. NON-CURRENT LIABILITIES	6,505,883	-	978,240
18. TOTAL LIABILITIES	21,782,801	135	3,275,193
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	-	-	-
19.a. Assets on foreign currency derivative instruments	-	-	-
19.b. Liabilities on foreign currency derivative instruments	-	-	-
20. Net Foreign Currency Assets/Liabilities Position	(20,841,668)	157,865	(3,274,805)
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-12a-14-16a)	(20,841,668)	157,865	(3,274,805)

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

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

Foreign currency sensitivity analysis

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

The following table details the Group's sensitivity to a 10% increase and decrease in foreign currency against TL. 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 below indicates an increase in profit/loss or equity.

Foreign currency sensitivity analysis

	31 December 2020			
	Profit / Loss		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
In case of US Dolar increases in 10% against TL				
1 - US Dolar net asset/liability	-	-	-	-
2- US Dolar hedges (-)	-	-	-	-
3- Net effect of US Dollar (1 +2)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
In case of Euro increases in 10% against TL				
4 - Euro net asset/liability	(2,640,095)	2,640,095	(2,640,095)	2,640,095
5 - Euro hedges (-)	-	-	-	-
6- Net effect of Euro (4+5)	<u>(2,640,095)</u>	<u>2,640,095</u>	<u>(2,640,095)</u>	<u>2,640,095</u>
	<u>(2,640,095)</u>	<u>2,640,095</u>	<u>(2,640,095)</u>	<u>2,640,095</u>
	31 December 2019			
	Profit / Loss		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
In case of US Dolar increases in 10% against TL				
1 - US Dolar net asset/liability	93,775	(93,775)	93,775	(93,775)
2- US Dolar hedges (-)	-	-	-	-
3- Net effect of US Dollar (1 +2)	<u>93,775</u>	<u>(93,775)</u>	<u>93,775</u>	<u>(93,775)</u>
In case of Euro increases in 10% against TL				
4 - Euro net asset/liability	(2,177,942)	2,177,942	(2,177,942)	2,177,942
5 - Euro hedges (-)	-	-	-	-
6- Net effect of Euro (4+5)	<u>(2,177,942)</u>	<u>2,177,942</u>	<u>(2,177,942)</u>	<u>2,177,942</u>
	<u>(2,084,167)</u>	<u>2,084,167</u>	<u>(2,084,167)</u>	<u>2,084,167</u>

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)*b.3.2) Interest rate risk management*

The Group borrows funds at fixed interest rate. Risk hedging strategies are evaluated regularly in order to comply with interest rate anticipations and defined risks.

Interest rate sensitivity analysis

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

Interest position table

	<u>31 December 2020</u>	<u>31 December 2019</u>
Fixed Interest Rate Instruments		
Financial Liabilities	481,216,936	394,794,163
Variable Interest Rate Instruments		
Financial Liabilities	-	38,612,972

24. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)

31 December 2020	<u>Fair value through profit or loss</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying value</u>	<u>Note</u>
<u>Financial assets</u>				
Cash and cash equivalents	49,553,215	-	49,553,215	26
Trade receivables	6,933,434	-	6,933,434	5
<u>Financial liabilities</u>				
Borrowings	-	481,216,936	481,216,936	22
Trade payables	-	30,887,316	30,887,316	5
Due to related parties	-	8,742	8,742	4
Other financial liabilities	-	1,520,290	1,520,290	13
31 December 2019	<u>Fair value through profit or loss</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying value</u>	<u>Note</u>
<u>Financial assets</u>				
Cash and cash equivalents	74,285,277	-	74,285,277	26
Trade receivables	15,937,953	-	15,937,953	5
<u>Financial liabilities</u>				
Borrowings	-	433,407,135	433,407,135	22
Trade payables	-	2,899,627	2,899,627	5
Due to related parties	-	55,804	55,804	4
Other financial liabilities	-	945,144	945,144	13

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

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

Fair Value of Financial Instruments

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

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

25. EVENTS AFTER THE REPORTING PERIOD

“Adapazarı Building” owned by the Group, consisting of the stores with independent unit no 1-3 in the main property registered in Lot no 130 and parcel no 167 and independent unit with qualification of bureau no 23 at Sakarya Province, Adapazarı District, Cumhuriyet Quarter, was sold to Adapazarı Municipality for TL 12,655,000 including VAT on 15 January 2021, and the independent unit no 3 of the ground and first floors of the main property registered in Lot no 78 and parcel no 233 at Sakarya Province, Adapazarı District, Cumhuriyet Quarter, owned by Adana Municipality, was purchased by the Group for TL 10,000,000.

The lands in the portfolio of the Group with lot no 12580 and parcel no 1 and with lot no 12581 and parcel no 1 at Erzurum Province, Palandöken District, were sold to TL 3,933,628 including VAT and TL 5,816,372 including VAT, respectively, and for TL 9,750,000 including VAT in total, on 1 February 2021.

26. NOTES ON THE STATEMENT OF CASH FLOWS

	31 December 2020	31 December 2019
Cash at banks	49,553,809	74,286,168
<i>Demand deposits(*)</i>	798,013	724,840
<i>Time deposits with maturity less than 3 months</i>	48,755,796	73,561,328
Expected credit loss (-)	(594)	(891)
<i>Cash and cash equivalents in the statement of financial position</i>	49,553,215	74,285,277
Less: Interest income accruals on cash equivalents	(21,693)	(84,178)
<i>Cash and cash equivalents in the statement of cash flows</i>	49,531,522	74,201,099

(*) As of 31 December 2020 and 31 December 2019, there is blocked amount for salary payments to personnel from demand deposit amounts.

As of 31 December 2020 and 31 December 2019, the details of time deposits at banks are as follows:

31 December 2020	Amount	Interest rate	Maturity
<u>Time deposits</u>			
TL	48,725,549	16.25%	4 January 2021
TL	5,692	3.00%	4 January 2021
TL	24,556	15.5%	4 January 2021
	48,755,796		

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

31 December 2019	Amount	Interest rate	Maturity
Time deposits			
TL	73,343,707	10.75%	5 February 2020
TL	128,113	10.24%	2 January 2020
TL	7,501	9.5%	2 January 2020
TL	82,007	10.49%	2 January 2020
	73,561,328		

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

27. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE

On October 15, 2019, U.S. Department of Justice, United States Attorney Southern District of New York indicted the Parent Bank by repeating the allegations set forth in the case filed against the former executive of the Parent Bank due to Iranian sanction violations.

First, the Parent Bank applied to the District Court on 4 November 2019, and requested a special appearance to discuss the issues of personal jurisdiction and recusal. On 5 December 2019, the District Court denied the request of special appearance. The Parent Bank objected to the District Court's decision and appealed the decision at the Court of Appeals Second Circuit on 17 December 2019. On 21 February 2020, the Second Circuit denied the Parent Bank's objection.

In the meeting held by the Parent Bank's Board of Directors on 27 March 2020, it was decided to attend the District Court hearing on 31 March 2020, to accept the arraignment and to appoint Williams & Connolly law firm with a proxy to represent the Parent Bank.

At the hearing on 31 March 2020, the District Court decided to postpone the hearing initially to 9 June 2020 and subsequently to 30 June 2020 due to the global scale COVID-19 outbreak.

At the hearing held in the District Court on 30 June 2020; the schedule regarding the motion to recuse, discovery motions, and filings of other motions were identified. It was decided that the jury hearing would begin on 1 March 2021 for which the schedule was revised on 26 October 2020. Accordingly, the jury hearings are scheduled to be held on 3 May 2021. In this regard, the Bank filed its recusal motion on 14 July 2020 and its other motions to dismiss the indictment on 10 August 2020 at the District Court.

Bank's recusal motion was denied by the District Court on 24 August 2020 and by the Court of Appeals Second Circuit on 23 December 2020.

District Court denied the Parent Bank's motion to dismiss the indictment on 1 October 2020. The Parent Bank appealed the Court of Appeals Second Circuit for the motion to dismiss the indictment with regard to Foreign Sovereign Immunity Act (exemption from the jurisdiction of the US courts). On 23 December 2020, the Court of Appeals Second Circuit granted the Parent Bank's motion to stay the case pending sovereign immunity appeal. Accordingly, the jury hearings are expected to be rescheduled instead of starting on 3 May 2021.

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27. DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE (cont'd)

In addition, a civil case was filed against the Parent Bank on 27 March 2020 with a claim for damages by plaintiffs in the District Court "on the grounds that they (the plaintiffs) could not collect their judgments from Iran due to violations of sanctions" and it was served to the Parent Bank's attorneys on 1 July 2020. The Bank filed a motion at the District Court to dismiss the complaint of plaintiffs on 25 September 2020. The motion process within this scope was completed on 16 December 2020. The civil case is pending at the District Court.

The proceedings of both the criminal case and civil case are closely monitored by the Parent Bank through law firms representing the bank.

The appeal process of the case which resulted in the conviction of the defendant former executive of the Parent Bank, who was released on 19 July 2019 and returned to Turkey, is completed. The decision of the conviction was upheld.

Effects of COVID-19

In December 2019, a new type of coronavirus (COVID-19) which emerged in Wuhan city of China, caused fatal respiratory diseases all over the world and named as a global outbreak by the World Health Organization on 11 March 2020. Various measures have been taken all over the world in order to avoid the negative effects of the disease that has become a pandemic, and due to the measures taken, there have been a recession in economies.

Due to the fact that the effects of the pandemic are still being experienced, adverse effects that may arise and macroeconomic indicators are closely monitored.

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APPENDIX 1 - CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO

The information contained herein, is summary information derived from the financial statements according to Article 16 “Communiqué on Financial Reporting in Capital Market” Serial: II, No: 14.1 of the CMB and prepared for purposes of the controlling the compliance with portfolio limitations as set out in the CMB’s Serial: III No: 48.1 communique, “Communiqué on Principles Regarding Real Estate Investment Trusts”, published in the Official Gazette numbered 28660 dated 28 May 2013.

As of 31 December 2020, the Group 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.

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APPENDIX 1 - CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO (cont'd)

	Financial statement primary account items	Regulation	31 December 2020 (TL)	31 December 2019 (TL)
A	Money and capital market instruments	Serial: III-48.1, Article 24/(b)	49,553,215	74,285,277
B	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article24/(a)	3,278,206,351	2,783,856,463
C	Subsidiaries	Serial: III-48.1, Article24/(b)	--	--
	Due from related parties (non-trade)	Serial: III-48.1, Article23/(f)	--	--
	Other assets		186,966,514	181,067,390
D	Total Assets	Serial: III-48.1, Article3/(k)	3,514,726,080	3,039,209,130
E	Loans and borrowings	Serial: III-48.1, Article31	453,707,953	410,240,038
F	Other financial liabilities	Serial: III-48.1, Article31	--	--
G	Financial leasing obligations	Serial: III-48.1, Article31	27,508,983	23,167,097
H	Due to related parties (non-trade)	Serial: III-48.1, Article23/(f)	--	--
İ	Equity	Serial: III-48.1, Article31	2,926,488,712	2,578,219,682
	Other liabilities		107,020,432	27,582,313
D	Total liabilities and equity	Serial: III-48.1, Article3/(k)	3,514,726,080	3,039,209,130
	Other financial information	Regulation	31 December 2020 (TL)	31 December 2019 (TL)
A1	Portion of money and capital markets instruments for real estate payments of 3 years	Serial: III-48.1, Article24/(b)	--	--
A2	Time deposit/ demand deposit/ TL / foreign currency	Serial: III-48.1, Article24/(b)	49,553,215	74,286,168
A3	Foreign capital market instruments	Serial: III-48.1, Article24/(d)	--	--
B1	Foreign real estates, based on real estates projects, rights for real estates	Serial: III-48.1, Article24/(d)	--	--
B2	Idle land	Serial: III-48.1, Article24/(c)	--	--
C1	Foreign Subsidiaries	Serial: III-48.1, Article24/(d)	--	--
C2	Investment in the operating company	Serial: III-48.1, Article28	--	--
J	Non-cash loans	Serial: III-48.1, Article31	407,989,762	216,456,082
K	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article22/(e)	--	--
L	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article22/(l)	--	--

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APPENDIX 1 - CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO (cont'd)

	Portfolio Restriction	Regulations	Calculation	Min/Mx Rate	31 December 2020 (TL)	31 December 2019 (TL)
1	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article 22/(e)	K/D	Maximum 10%	--	--
2	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article 24/(a),(b)	(B+A1)/D	Minimum 51%	93.27%	91.6%
3	Money and capital market instruments and associates	Serial: III-48.1, Article 24/(b)	(A+C-A1)/D	Maximum 49%	1.41%	2.44%
4	Foreign real estates, based on real estates projects, rights for real estates, associates, capital market instruments	Serial: III-48.1, Article 24/(d)	(A3+B1+C1)/D	Maximum 49%	--	--
5	Idle land	Serial: III-48.1, Article 24/(c)	B2/D	Maximum 20%	--	--
6	Investment in the operating company	Serial: III-48.1, Article 28	C2/D	Maximum 10%	--	--
7	Borrowing Limit	Serial: III-48.1, Article 31	(E+F+G+H+J)/İ	Maximum 500%	30.38%	25.21%
8	Time deposit/ demand deposit/ TL / foreign currency	Serial: III-48.1, Article24/(b)	(A2-A1)/D	Maximum 10%	1.41%	2.44%
9	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article22/(l)	L/D	Maximum 10%	--	--