

**HALK GAYRİMENKUL YATIRIM
ORTAKLIđI A.đ. AND ITS SUBSIDIARY**

CONSOLIDATED FINANCIAL
STATEMENTS AS OF 31 MARCH 2021 AND
INDEPENDENT AUDITOR'S REVIEW REPORT

(CONVENIENCE TRANSLATION OF
FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH)

**(CONVENIENCE TRANSLATION OF THE REVIEW REPORT ON
INTERIM REVIEW OF FINANCIAL INFORMATION ORIGINALLY ISSUED IN
TURKISH)**

**REPORT ON REVIEW OF INTERIM
FINANCIAL STATEMENTS**

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

Introduction

We have reviewed the accompanying consolidated financial statements of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (“the Company”) and its subsidiary (together will be referred as “the Group”), which comprise the consolidated statement of financial position as at 31 March 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the three-months period then ended and a summary of significant accounting policies and other explanatory notes. The Group management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with Turkish Accounting Standard (TAS). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, has come to our attention that causes us to believe that the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with Turkish Accounting Standarts (TAS).

Other Matters

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

On 15 October 2019, Department of Justice, United States Attorney Southern District of New York indicted the the Parent Bank in the Southern District of New York Court (“District Court”) for alleged violations of Iranian sanctions. This criminal case is pending at the District Court.

In addition, a civil case was filed against the Parent Bank on 27 March 2020 with a claim for damages by plaintiffs in the Southern District of New York Court "on the grounds that they (plaintiffs) could not collect their judgments from Iran due to violations of sanctions." District Court dismissed the case. Plaintiffs have filed their notice to the US Court of Appeals for the Second Circuit with regard to the decision of the District Court. The appeal is pending.

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 regarding the conviction was upheld.

At this stage, the Parent Bank's Management stated that there is no penalty, compensation, sanction or other measure arising from the pending criminal and civil cases against the Parent Bank. There is an uncertainty if any decisions will be made 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. However, the above mentioned matters do not affect the opinion provided by us.

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

Zere Gaye Şentürk
Partner

İstanbul, 7 May 2021

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HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**REVIEWED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

(Amounts expressed in Turkish Lira (TL).)

	Notes	Reviewed 31 March 2021	Audited 31 December 2020
ASSETS			
Current Assets			
		64,599,011	106,170,870
Cash and Cash Equivalents	26	2,305,503	49,553,215
Trade Receivables	5	4,813,084	5,346,392
<i>Trade Receivables from Related Parties</i>	4	60	60
<i>Trade Receivables from Third Parties</i>		4,813,024	5,346,332
Inventory	6	22,428,215	18,178,851
Prepaid Expenses	7	2,589,330	1,524,881
<i>Prepaid Expenses to Related Parties</i>	4	90,962	52,208
<i>Prepaid Expenses to Third Parties</i>		2,498,368	1,472,673
Current Tax Assets		970,730	846,745
Other Current Assets	13	31,492,149	30,720,786
<i>Other Current Assets from Third Parties</i>		31,492,149	30,720,786
Non-Current Assets			
		3,477,369,058	3,408,555,210
Trade Receivables	5	1,006,696	1,587,042
<i>Trade Receivables From Third Parties</i>		1,006,696	1,587,042
Investment Property	8	3,332,017,632	3,260,027,500
Property, Plant and Equipment	9	3,598,375	4,086,222
Intangible Assets	10	344,934	350,671
<i>Other Intangible Assets</i>		344,934	350,671
Prepaid Expenses	7	105,448,244	108,754,887
<i>Prepaid Expenses to Third Parties</i>		105,448,244	108,754,887
Other Non-Current Assets	13	34,953,177	33,748,888
<i>Other Non-Current Assets to Related Parties</i>		34,953,177	33,748,888
TOTAL ASSETS		3,541,968,069	3,514,726,080

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**REVIEWED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021**

(Amounts expressed in Turkish Lira (TL).)

	Notes	Reviewed 31 March 2021	Audited 31 December 2020
LIABILITIES			
Current Liabilities			
Short-Term Liabilities	22	524,771,252	502,826,748
Short-Term Portion of Long-Term Borrowings	22	365,426,182	355,705,257
<i>Short-Term Portion of Long-Term Borrowings from Related Parties</i>		51,053,757	40,918,126
Trade Payables	5	29,608,121	30,896,058
<i>Trade Payables to Related Parties</i>	4	335,545	8,742
<i>Trade Payables to Third Parties</i>		29,272,576	30,887,316
Deferred Income (Excluding Liabilities Arising from Customer Contracts)	7	61,637,818	61,108,287
<i>Deferred Income from Third Parties (Excluding Liabilities Arising from Customer Contracts)</i>		61,637,818	61,108,287
Short-Term Provisions		2,096,839	1,808,629
<i>Short-Term Portion of Provisions Related to Employee Benefits</i>	12	2,096,839	1,808,629
<i>Other Short-term Provisions</i>	11	-	-
Other Current Liabilities	13	14,948,535	12,390,391
<i>Other Current Liabilities to Related Parties / Other Current Liabilities to Third Parties</i>		14,948,535	12,390,391
Non-Current Liabilities			
Long-Term Borrowings	22	82,097,982	85,410,620
<i>Long-Term Financial Borrowings From Related Parties</i>		81,344,072	84,593,553
Long-Term Provisions	12	753,910	817,067
<i>Long-Term Portion of Provisions Related to Employee Benefits</i>		753,910	817,067
EQUITY			
Share Capital	14	2,935,098,835	2,926,488,712
Treasury Shares (-)	14	970,000,000	970,000,000
Share Premium / Discounts		(27,346,399)	(27,346,399)
Share Premium / Discounts		49,945,096	49,945,096
Accumulated Other Comprehensive Income or Expenses that will not be Reclassified to Profit or Loss		231,853	68,913
<i>- Gains on remeasurement of defined benefit plans</i>		231,853	68,913
Restricted Reserves Appropriated from Profit	14	54,982,184	52,735,975
Prior Years' Profit or Loss		1,878,838,918	1,528,632,662
Net Profit or Loss for the Period		8,447,183	352,452,465
TOTAL LIABILITIES AND EQUITY		3,541,968,069	3,514,726,080

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**REVIEWED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY – 31 MARCH 2021**

(Amounts expressed in Turkish Lira (TL).)

		Reviewed	Audited
		1 January- 31 March 2021	1 January- 31 March 2020
	Notes		
Revenue	15	33,961,693	50,063,344
Cost of Sales (-)	15	(18,660,458)	(24,031,097)
GROSS PROFIT (LOSS)		15,301,235	26,032,247
General Administrative Expenses (-)	17	(5,387,794)	(3,892,875)
Marketing Expenses (-)	17	(1,051,434)	(1,877,427)
Other Income from Operating Activities	18	512,058	616,601
Other Expenses from Operating Activities (-)	18	(169,646)	(784,640)
OPERATING PROFIT (LOSS)		9,204,419	20,093,906
Gain (Loss) from Investments Accounted Through Equity Method	8	-	101,250
OPERATING PROFIT (LOSS) BEFORE FINANCE INCOME (EXPENSE)		9,204,419	20,195,156
Finance Expenses (-)	19	(757,236)	(1,718,599)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		8,447,183	18,476,557
TAX EXPENSES		-	-
PROFIT (LOSS) FOR THE PERIOD		8,447,183	18,476,557
Earnings per Share		0.0087	0.0199
OTHER COMPREHENSIVE INCOME:			
Items That Will Not Be Reclassified to Profit or Loss		162,940	-
Gain on Remeasurement of Defined Benefit Plans		162,940	-
TOTAL COMPREHENSIVE INCOME (EXPENSE)		8,610,123	18,476,557

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 31 MARCH 2021

(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 2020		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		-	-	-	-	-	321,408,214	(321,408,214)	-
Total Comprehensive Income		-	-	-	-	-	-	18,476,557	18,476,557
Balances as of 31 March 2020	14	928,000,000	(26,162,328)	49,945,096	(23,610)	49,937,018	1,576,523,506	18,476,557	2,596,696,239
Balances as of 1 January 2021	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
Transfers		-	-	-	-	2,246,209	350,206,256	(352,452,465)	-
Total Comprehensive Income		-	-	-	162,940	-	-	8,447,183	8,610,123
Balances as of 31 March 2021	14	970,000,000	(27,346,399)	49,945,096	231,853	54,982,184	1,878,838,918	8,447,183	2,935,098,835

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**REVIEWED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD 1 JANUARY – 31 MARCH 2021**

(Amounts expressed in Turkish Lira (TL).)

	Notes	Reviewed 1 January- 31 March 2021	Reviewed 1 January- 31 March 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the Period		8,447,183	18,476,557
Adjustments to Reconcile Net Profit (Loss) for the Period			
- Adjustments Related to Depreciation and Amortization Expenses	9-10	887,871	751,593
- Adjustments Related to Provisions	11-12	387,993	249,055
- Adjustments Related to Interest Income and Expenses	15-19	(2,734,248)	855,724
- Adjustments Related to Fair Value Losses/Gains	8	-	(101,250)
- Adjustments Related to (Increase) / Decrease in Inventories	6	(4,249,364)	21,105,859
- Adjustments Related to (Increase) / Decrease in Trade Receivables		1,113,654	1,005,490
- Decrease (Increase) in Prepaid Expenses		2,242,194	(4,637,341)
- Decrease (Increase) in Other Operating Assets		(2,099,637)	(4,915,160)
- Adjustments Related to Increase / (Decrease) in Trade Payables		(1,287,937)	21,046,596
- Adjustments Related to Increase (Decrease) in Deferred Income (Excluding Liabilities Arising from Customer Contracts)		529,531	(1,383,588)
- Adjustments Related to Increase (Decrease) in Other Operating Liabilities		2,558,144	1,472,140
Cash Generated from Operations		5,795,384	53,925,675
Interest Received		2,277,946	652,091
Other Cash Inflows / Outflows		-	(190,162)
		8,073,330	54,387,604
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets	9-10	(394,287)	(1,566,380)
Cash Outflows from Purchase of Investment Properties	8-19	(70,876,791)	(41,389,565)
Cash Inflows from Disposals of Investment Properties	8	17,600,000	1,419,062
		(53,671,078)	(41,536,883)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows from Borrowings		332,733,595	280,766,200
Cash Used for Repayment of Borrowings		(316,105,659)	(305,285,605)
Interest Paid		(18,257,005)	(12,384,199)
		(1,629,069)	(36,903,604)
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		(47,226,817)	(24,052,883)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		49,531,522	74,201,099
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	26	2,304,705	50,148,216

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(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 Company 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 2,500,000,000. (The registered capital ceiling before 2 September 2020 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 March 2021, the number of personnel employed in the Company is 42 (31 December 2020: 41).

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 (The registered capital ceiling as of 2 September 2020 is TL 2,500,000,000.), 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 May 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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(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 subsidiary and shares in joint operations are as follows:

<u>Subsidiary</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 7 May 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 consolidated 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 consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Currency Used

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(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 March 2021 and 31 December 2020, the details of the Company's subsidiaries are as follows:

<u>Subsidiaries</u>	<u>Place of incorporation and operation</u>	<u>Functional currency</u>	<u>The Group's shareholding rate and voting power (%)</u>	
			<u>31 March 2021</u>	<u>31 December 2020</u>
Halk Yapı Projeleri Geliştirme A.Ş.	Turkey	Turkish Lira	100%	100%

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.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(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 economic activity.

This control is deemed to exist when decisions regarding relevant activities require the 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 REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(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 2021

Amendments to TFRS 3	<i>Definition of a Business</i>
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 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.

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 NonCurrent</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.

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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 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 2022 and earlier application is permitted.

The possible effects of the said standards, amendments and improvements on the consolidated financial position and performance of the Group are being evaluated.

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)

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

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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.

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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 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.

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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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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.

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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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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.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(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)

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.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(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)

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. Within the framework of the authority within the scope of KVK Article 15/(4), the Council of Ministers, it is authorized to reduce the tax withholding rates specified in Article 15 to zero for each payment and income separately, to increase it up to the corporate tax rate, and to differentiate within the same limits according to the type of fund or partnership for the earnings specified in the third paragraph, or according to the nature and distribution of the assets in their portfolios. 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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NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(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)

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 Group'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.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(Amounts expressed in Turkish Lira (TL).)

3. INTERESTS IN OTHER ENTITIES

a) Subsidiaries

Halk Yapı Projeleri Geliştirme A.Ş.

Shareholding of the Group in its subsidiaries is as follows:

	31 March 2021	31 December 2020
Halk Yapı Projeleri Geliştirme A.Ş.	100%	100%

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

	31 March 2021	31 December 2020
Halk Yapı Projeleri Geliştirme A.Ş.		
Current assets	4,106,986	2,322,810
Non-current assets	12,500,028	12,500,000
Current liabilities	(1,643,309)	(6,183)
	1 January - 31 March 2021	1 January - 31 December 2020
Profit for the period	<u>212,887</u>	<u>557,536</u>

b) Joint Operations

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

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 March 2021	31 December 2020
Halk GYO-Vakıf GYO Joint Venture		
Current assets	23,545,391	23,226,353
Non-current assets	9,609,310	10,184,977
Current liabilities	(1,719,759)	(1,839,047)
	1 January - 31 March 2021	1 January - 31 December 2020
Profit for the period	<u>178,495</u>	<u>21,097,379</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2021**

(Amounts expressed in Turkish Lira (TL).)

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:

Halk GYO-Erkonut Joint Venture	31 March 2021	31 December 2020
Current assets	4,786,848	4,779,860
Current liabilities	(712,936)	(671,945)
	1 January - 31 March 2021	1 January - 31 December 2020
Profit for the period	<u>(33,913)</u>	<u>2,603,927</u>

Halk GYO-Teknik Yapı Joint Venture

Halk GYO-Teknik Yapı Joint Venture 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:

Halk GYO-Teknik Yapı Joint Venture	31 March 2021	31 December 2020
Current assets	24,297,776	20,615,282
Non-current assets	3,756,732	2,785,229
Current liabilities	(75,964,478)	(69,183,767)
Non-current liabilities	(6,810,269)	(9,236,746)
	1 January - 31 March 2021	1 January - 31 December 2020
Loss for the period	<u>400,521</u>	<u>(23,237,804)</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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(Amounts expressed in Turkish Lira (TL).)

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 March 2021	31 December 2020
<u>Deposits at Halk Bank</u>		
Demand deposits	746,518	797,854
Time deposits	1,553,026	48,750,104
	<u>2,299,544</u>	<u>49,547,958</u>
<u>Balances with related parties</u>		
Halk Varlık Yönetimi A.Ş. lease certificate issuance (Note 22)	333,032,725	335,615,485
Short-term loans received from Halk Bank	65,296,523	47,231,352
Long-term loans received from Halk Bank	57,558,675	70,861,117
Halk Leasing financial lease agreement (Note 22)	40,690,192	26,391,408
	<u>496,578,115</u>	<u>480,099,362</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(Amounts expressed in Turkish Lira (TL).)

4. RELATED PARTY DISCLOSURES (cont'd)

1 January - 31 March 2021						
Transactions with related parties	Interest income	Interest expenses	Currency difference expense	Rent income	Other expenses	Financial Expense / Income Capitalized on Investment Properties (Net)
<u>Shareholders</u>						
Halkbank A.Ş.	(449,698)	2,959,741	-	(11,267,637)	322,829	(2,303,674)
<u>Other companies controlled by the main shareholder</u>						
Halk Varlık Kiralama A.Ş.	-	12,196,315	-	-	-	(12,269,215)
Halk Leasing Finansal Kiralama A.Ş.	-	306,500	3,629,665	-	-	(3,936,165)
	(449,698)	15,462,556	3,629,665	(11,267,637)	322,829	(18,509,054)

1 January - 31 March 2020						
Transactions with related parties	Interest income	Interest expenses	Currency difference expense	Rent income	Other expenses	Financial Expense / Income Capitalized on Investment Properties (Net)
<u>Shareholders</u>						
Halkbank A.Ş.	(1,819,695)	1,077,362	-	(11,032,076)	50,543	1,324,378
<u>Other companies controlled by the main shareholder</u>						
Halk Varlık Kiralama A.Ş.	-	10,606,739	-	-	-	(10,606,739)
Halk Hayat ve Emeklilik A.Ş.	-	-	-	(20,029)	8,323	-
Halk Leasing Finansal Kiralama A.Ş.	-	195,413	1,564,700	-	-	(1,760,113)
Halk Sigorta A.Ş.	-	-	-	-	314,966	-
	(1,819,695)	11,879,514	1,564,700	(11,052,105)	373,832	(11,042,474)

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 March 2021	1 January- 31 March 2020
Salaries and other short term benefits	661,490	560,646
	<u>661,490</u>	<u>560,646</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS
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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 March 2021	31 December 2020
<u>Short-term trade receivables</u>		
Trade receivables	4,860,776	5,431,937
Trade receivables from related parties (Note 4)	60	60
Provision for doubtful receivables (-)	(47,752)	(85,605)
	<u>4,813,084</u>	<u>5,346,392</u>

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

	31 March 2021	31 December 2020
<u>Short-term trade receivables from sale of residences and rental properties</u>		
Sale of residences	1,727,665	1,567,262
<i>Bizimtepe Aydos projesi</i>	1,715,799	1,552,864
<i>Erzurum Şehristan projesi</i>	11,866	14,398
Rental properties (*)	3,133,171	3,864,735
	<u>4,860,836</u>	<u>5,431,997</u>

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

As of 31 March 2021, the total of overdue trade receivables (notes) is TL 181,197 (31 December 2020: TL 139,624).

	31 March 2021	31 December 2020
<u>Long-term trade receivables</u>		
Trade receivables	1,016,810	1,592,477
Provision for doubtful receivables (-) (*)	(10,114)	(5,435)
	<u>1,006,696</u>	<u>1,587,042</u>

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

	31 March 2021	31 December 2020
<u>Long-term trade receivables from sale of residences</u>		
Sale of residences	1,016,810	1,592,477
<i>Bizimtepe Aydos project</i>	1,016,810	1,592,477
	<u>1,016,810</u>	<u>1,592,477</u>

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

5. TRADE RECEIVABLES AND PAYABLES (cont'd)

a) Trade Receivables (cont'd):

	1 January- 31 March 2021	1 January- 31 March 2020
<u>Movement of allowance for doubtful receivables</u>		
Opening balance	(91,040)	(116,280)
Provisions reversed	33,174	13,305
Charge for the period	-	-
Closing balance	<u>(57,866)</u>	<u>(102,975)</u>

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 March 2021	31 December 2020
<u>Short-term trade payables</u>		
Trade payables	29,272,576	30,887,316
Trade payables to related parties (Note 4)	335,545	8,742
	<u>29,608,121</u>	<u>30,896,058</u>

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

6. INVENTORIES

Land stocks	31 December 2020				31 March 2021
	Cost value	Addition	Disposal	Transfer	Cost value
Referans Bakırköy Residence Project ⁽¹⁾	96,507	-	-	-	96,507
Panaroma Plus Residence Project	-	-	-	-	-
Sancaktepe - Residence Project ⁽²⁾	2,245,932	-	-	-	2,245,932
Erzurum - Şehristan Project ⁽³⁾	312,601	-	-	-	312,601
İzmir Project ⁽⁴⁾	15,523,811	3,912,626	-	-	19,436,437
Kocaeli Dilovası Industry Area ⁽⁵⁾	-	336,738	-	-	336,738
Total	18,178,851	4,249,364	-	-	22,428,215

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NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(Amounts expressed in Turkish Lira (TL).)

6. INVENTORIES (cont'd)

Land stocks	31 December 2019				31 March 2020	
	Cost value	Addition	Disposal	Transfer	Cost value	
Referans Bakırköy Residence Project ⁽¹⁾	314,639	-	(218,132)	-	96,507	
Panorama Plus Residence Project ⁽²⁾	2,242,080	-	(725,882)	-	1,516,198	
Sancaktepe - Residence Project ⁽³⁾	53,255,447	-	(20,736,900)	(92,250)	32,426,297	
Erzurum - Şehristan Project ⁽⁴⁾	4,043,415	-	-	-	4,043,415	
İzmir Project ⁽⁵⁾	8,050,882	575,055	-	-	8,625,937	
Total	67,906,463	575,055	(21,680,914)	(92,250)	46,708,354	

⁽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. Housing sales revenue has not been realized within the period of 31 March 2021. (31 December 2020: 1 house sales revenue amounting to TL 357,000 and cost of sales amounting to TL 225,272. Cost of sales includes taxes, duties and charges). There is no restriction on the land stock.

⁽²⁾ 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 Group issued property deeds on 8 February 2019. Housing sales revenue has not been realized within the period of 31 March 2021. (31 December 2020: transfer of 226 independent units, sales income amounting to TL 74,097,694 and cost of sales amounting to TL 52,306,032 have been recognized).

⁽³⁾ 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. Housing sales revenue has not been realized within the period of 31 March 2021. (As of 31 December 2020, the delivery of 31 independent sections in the project, sales income amounting to TL 6,687,943 and cost of sales TL 3,915,126 have been recognized.) There is no restriction on the land stock.

⁽⁴⁾ 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), building licenses for 451 residences, 1 hotel, 1 cultural center located on Island 8115, 3 Plot (Formerly 7700 Island, 1 Plot) and the building permits for 497 residences, 35 commercial buildings, 45 apart hotels, 1 hotel and 3 art galleries located in Block 8110, Parcel 1 (Former 7698 block, 1 parcel) were updated on 4 January 2021. and total number of units for which the licenses were received is 1,034 as of 4 January 2021. As of 31 March 2021, a preliminary sales contract was signed for 381 independent units. (31 December 2020: for 364 independent units, a preliminary sales contract was signed).

⁽⁵⁾ Halk Yapı Projeleri Geliştirme A.Ş. established Halk Yapı Projeleri Gelişim A.Ş. on 15 December 2020 to develop all kinds of real estate projects. The entire capital of the company established belongs to Halk GYO. The newly established Halk Yapı Projeleri Development A.Ş. signed a "revenue sharing agreement in return for the sale of land" on 12 February 2021 to develop an Industrial Site Project in Kocaeli Dilovası, with 50% – 50% revenue sharing. The design work of the project continues.

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7. PREPAID EXPENSES AND DEFERRED INCOME

	31 March 2021	31 December 2020
Short-Term Prepaid Expenses		
Order advances given (*)	1,444,335	741,107
Prepaid insurance expenses	751,235	390,014
Other	393,760	393,760
	<u>2,589,330</u>	<u>1,524,881</u>
	31 March 2021	31 December 2020
Long-Term Prepaid Expenses		
Order advances given (*)	105,358,745	108,632,994
Other	89,499	121,893
	<u>105,448,244</u>	<u>108,754,887</u>
	31 March 2021	31 December 2020
(*) Investment Advances Given		
İstanbul Finance Center project	103,767,213	108,627,627
İzmir Evora project	1,586,165	741,107
Caddebostan project	5,367	5,367
	<u>105,358,745</u>	<u>109,374,101</u>
	31 March 2021	31 December 2020
Short-Term Deferred Income		
Deferred residential income	61,635,299	61,051,324
Advance rents	2,519	56,963
	<u>61,637,818</u>	<u>61,108,287</u>
	31 March 2021	31 December 2020
Deferred Residence Sales Income		
İzmir Evora project	60,393,458	59,808,222
Bizimtepe Aydos project	744,297	809,031
Erzurum Şehristan project	484,564	421,091
Bakırköy project	768	768
Eskişehir Odunpazarı project	12,212	12,212
	<u>61,635,299</u>	<u>61,051,324</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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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. The Company management considers that these determined values, together with the investment expenditures made in the first 3 months of 2021, reflect the fair value of the investment properties as of 31 March 2021. 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 March 2021 and 31 December 2020 are as follows:

	Fair value as of the reporting date			
	31 March	Level 1	Level 2	Level 3
	2021	TL	TL	TL
Land	24,470,000	-	24,470,000	-
Buildings	1,417,717,500	-	860,517,500	557,200,000
Investment properties under development	1,889,830,132	-	30,651,010	1,859,179,122
	<u>3,332,017,632</u>	<u>-</u>	<u>915,638,510</u>	<u>2,416,379,122</u>

	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>

There has been no transition between Level 1 and Level 2 in the current period.

As of 31 March 2021, the total amount of insurance on investment properties is TL 1,938,219,334 (31 December 2020: TL 1,639,801,010). As of 31 March 2021, the total amount of capitalized finance expenses on investment properties is TL 164,816,173 (31 December 2020: TL 146,102,832).

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(Amounts expressed in Turkish Lira (TL).)

8. INVESTMENT PROPERTIES (cont'd)

	31 December 2020		Disposal	Fair value difference	31 March 2021	
	Fair value	Addition			Fair value	Fair value
Investment properties						
İstanbul Salıpazarı Land	9,120,000	-	-	-	9,120,000	
Erzurum Yakutiye Land	10,350,000	-	-	-	10,350,000	
Erzurum Palandöken Lands	12,600,000	-	(7,600,000)	-	5,000,000	
Sakarya Adapazarı Land	10,000,000	-	(10,000,000)	-	-	
Total lands	42,070,000	-	(17,600,000)	-	24,470,000	
İstanbul Karaköy Building	45,000,000	-	-	-	45,000,000	
İstanbul Salıpazarı Building	100,000,000	-	-	-	100,000,000	
İzmir Konak Building-1	38,500,000	-	-	-	38,500,000	
Ankara Kızılay Building	25,000,000	-	-	-	25,000,000	
İstanbul Beyoğlu Building	35,000,000	-	-	-	35,000,000	
İstanbul Beşiktaş Building	25,750,000	-	-	-	25,750,000	
İstanbul Etiler Building	26,500,000	-	-	-	26,500,000	
İstanbul Şişli Building	22,500,000	-	-	-	22,500,000	
İzmir Konak Building-2	21,000,000	-	-	-	21,000,000	
Ankara Başkent Building	15,170,000	-	-	-	15,170,000	
İstanbul Bakırköy Building	31,000,000	-	-	-	31,000,000	
Bursa Building	19,250,000	-	-	-	19,250,000	
İzmir Karşıyaka Building	-	-	-	-	-	
Ankara Bahçelievler Building-1	13,000,000	-	-	-	13,000,000	
Kocaeli Building	16,000,000	-	-	-	16,000,000	
İstanbul Fatih Building	16,750,000	-	-	-	16,750,000	
Ankara Bahçelievler Building-2	9,400,000	-	-	-	9,400,000	
İstanbul Ataköy Building	16,750,000	-	-	-	16,750,000	
İstanbul Nişantaşı Building	12,500,000	-	-	-	12,500,000	
Halkbank Finance Tower	349,655,000	-	-	-	349,655,000	
Park Dedeman Levent Hotel	286,200,000	-	-	-	286,200,000	
Kocaeli Şekerpınar A Block	171,000,000	-	-	-	171,000,000	
Kocaeli Şekerpınar Office Project	103,000,000	-	-	-	103,000,000	
Sakarya Adapazarı Building (the New Building)	-	10,200,000	-	-	10,200,000	
Bizimtepe Aydos T 1-2-3 No BB Nursery	2,615,000	-	-	-	2,615,000	
Bizimtepe Aydos T 17-18-19-20-21-22 No BB Market	1,840,000	-	-	-	1,840,000	
Bizimtepe Aydos T 13 No BB Nuts Shop	245,000	-	-	-	245,000	
Bizimtepe Aydos T 16 No BB Hairdresser	380,000	-	-	-	380,000	
Bizimtepe Aydos T 26 No BB Real Estate Agency	327,500	-	-	-	327,500	
Bizimtepe Aydos T 25 No BB Pharmacy	327,500	-	-	-	327,500	
Bizimtepe Aydos T 23-24 No BB Real Estate Agency	1,060,000	-	-	-	1,060,000	
Bizimtepe Aydos T 39-40-41-42-43-44 No BB Gift Shop	797,500	-	-	-	797,500	
Bizimtepe Aydos T 27-28 No BB Real Estate Agency	255,000	-	-	-	255,000	
Bizimtepe Aydos T 14 No BB Real Estate Agency	245,000	-	-	-	245,000	
Bizimtepe Aydos T 29-30-31-32 No BB Real Estate Agency	500,000	-	-	-	500,000	
Total buildings	1,407,517,500	10,200,000	-	-	1,417,717,500	
İstanbul International Finance Center Project	1,780,000,000	79,179,123	-	-	1,859,179,123	
İstanbul Caddebostan Building Urban Transformation Project	30,440,000	211,009	-	-	30,651,009	
Total investment properties under development	1,810,440,000	79,390,132	-	-	1,889,830,132	
Total	3,260,027,500	89,590,132	(17,600,000)	-	3,332,017,632	

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(Amounts expressed in Turkish Lira (TL).)

8. INVESTMENT PROPERTIES (cont'd)

	31 December 2019				Fair value	31 March 2020
<u>Investment properties</u>	Fair value	Addition	Disposal	Transfer	difference	Fair value
İstanbul Salıpazarı Land	8,200,000	-	-	-	-	8,200,000
Erzurum Yakutiye Land	9,850,000	-	-	-	-	9,850,000
Erzurum Palandöken Land	14,350,000	-	-	-	-	14,350,000
Total lands	32,400,000	-	-	-	-	32,400,000
İstanbul Karaköy Building	40,000,000	-	-	-	-	40,000,000
İstanbul Salıpazarı Building	85,000,000	-	-	-	-	85,000,000
İzmir Konak Building-1	33,900,000	-	-	-	-	33,900,000
Ankara Kızılay Building	22,400,000	-	-	-	-	22,400,000
İstanbul Beyoğlu Building	33,350,000	-	-	-	-	33,350,000
İstanbul Beşiktaş Building	22,750,000	-	-	-	-	22,750,000
İstanbul Etiler Building	23,700,000	-	-	-	-	23,700,000
İstanbul Şişli Building	20,000,000	-	-	-	-	20,000,000
İzmir Konak Building-2	18,250,000	-	-	-	-	18,250,000
Ankara Başkent Building	14,000,000	-	-	-	-	14,000,000
İstanbul Bakırköy Building	27,750,000	-	-	-	-	27,750,000
Bursa Building	17,250,000	-	-	-	-	17,250,000
Ankara Bahçelievler Building-1	11,550,000	-	-	-	-	11,550,000
Kocaeli Building	14,500,000	-	-	-	-	14,500,000
İstanbul Fatih Building	14,975,000	-	-	-	-	14,975,000
Sakarya Adapazarı Building	9,500,000	-	-	-	-	9,500,000
Ankara Bahçelievler Building 2	8,250,000	-	-	-	-	8,250,000
İstanbul Ataköy Building	14,750,000	-	-	-	-	14,750,000
İstanbul Nişantaşı Building	11,500,000	-	-	-	-	11,500,000
Halkbank Finance Tower	313,200,000	-	-	-	-	313,200,000
Park Dedeman Levent Hotel	275,000,000	-	-	-	-	275,000,000
Kocaeli Şekerpinar Block-A	138,500,000	-	-	-	-	138,500,000
Kocaeli Şekerpinar Office Project	94,920,000	-	-	-	-	94,920,000
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	-	-	-	-	2,358,000
Bizimtepe Aydos T 17-18-19-20-21-22 No BB Market	1,666,500	-	-	-	-	1,666,500
Bizimtepe Aydos T 13 No BB Nuts Shop	209,500	-	-	-	-	209,500
Bizimtepe Aydos T 16 No BB Hairdresser	276,000	-	-	-	-	276,000
Bizimtepe Aydos T 26 No BB Real Estate Agency	325,500	-	-	-	-	325,500
Bizimtepe Aydos T 25 No BB Pharmacy	323,000	-	-	-	-	323,000
Bizimtepe Aydos T 23-24 No BB Real Estate Agency	1,046,500	-	-	-	-	1,046,500
Bizimtepe Aydos T 39-40-41-42-43-44 No BB Gift Shop	605,000	-	-	-	-	605,000
Bizimtepe Aydos T 27-28 No BB Real Estate	-	-	-	92,250	101,250	193,500
Total Buildings	1,273,200,000	-	(1,395,000)	92,250	101,250	1,271,998,500
İstanbul Finance Center Project	1,383,250,000	52,413,853	-	-	-	1,435,663,853
İstanbul Caddebostan Building Project	27,100,000	18,186	(24,062)	-	-	27,094,124
Total investment properties						
under development	1,410,350,000	52,432,039	(24,062)	-	-	1,462,757,977
Total	2,715,950,000	52,432,039	(1,419,062)	92,250	101,250	2,767,156,477

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(Amounts expressed in Turkish Lira (TL).)

8. INVESTMENT PROPERTIES (cont'd)

Investment properties	Acquisition Date	Acquisition Amount	Appraisal Method	Appraisal Date	Appraisal Value	Leases	Rent Income (2021 Three Months) (TL)	Direct operating/ maintenance expenses (2021 Three Months) (TL)	Rent Income (2020 Three Months) (TL)	Direct operating/ maintenance expenses (2020 Three Months) (TL)
İstanbul Salpazarı Land	26 January 2018	5,178,343	Comparable Sales Approach	24 November 2020	9,120,000	-	-	-	-	-
Erzurum Yakutiye Land ¹	30 September 2019	10,047,000	Comparable Sales Approach	22 December 2020	10,350,000	-	-	-	-	-
Erzurum Palandöken Land ²	5 September 2019	4,455,000	Comparable Sales Approach	22 December 2020	5,000,000	-	-	-	-	-
Sakarya Adapazarı Building ³	28 October 2010	5,960,000	Comparable Sales Approach	17 December 2020	10,000,000	-	-	-	-	1,274
Total lands		25,640,343			34,470,000					1,274
Ankara Bahçelievler Building 1	28 October 2010	6,681,356	Comparable Sales Approach	11 December 2020	13,000,000	Halk Bankası A.Ş.	240,000	685	243,062	573
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.	146,196	386	129,000	323
Ankara Başkent Building	28 October 2010	9,541,729	Revenue Discount Method	11 December 2020	15,170,000	Ceda Akaryakt İnş. Emlak Tur. Ltd Şti, Halkbank A.Ş.	357,000	3,450	378,591	1,948
Ankara Kızılay Building	28 October 2010	12,475,237	Comparable Sales Approach	14 December 2020	25,000,000	Halk Bankası A.Ş.	465,000	3,216	462,559	2,559
Ataşehir Finance Tower	12 January 2012	126,548,795	Comparable Sales Approach	15 December 2020	349,655,000	Halk Bankası A.Ş.	4,668,000	47,831	4,245,000	65,430
Bursa Building	28 October 2010	8,500,000	Comparable Sales Approach	9 December 2020	19,250,000	Halk Bankası A.Ş.	360,000	3,259	322,046	2,711
Eskişehir B12 Apartment	24 January 2012	680,634	Comparable Sales Approach		-	Real Person	-	-	3,931	56
Eskişehir B13 Apartment	24 January 2012	607,604	Comparable Sales Approach		-	Real Person	-	-	4,022	60
İstanbul Ataköy Building	28 October 2010	5,061,500	Comparable Sales Approach	9 December 2020	16,750,000	Halk Bankası A.Ş.	285,000	2,087	269,462	1,186
İstanbul Bakırköy Building	28 October 2010	9,023,500	Comparable Sales Approach	9 December 2020	31,000,000	Halk Bankası A.Ş.	510,000	26,932	480,014	1,578
İstanbul Beşiktaş Building ⁵	27 October 2010	11,893,840	Comparable Sales Approach	10 December 2020	25,750,000	Halk Bankası A.Ş.	435,000	1,333	436,376	2,333
İstanbul Beyoğlu Building ⁶	28 October 2010	12,000,000	Comparable Sales Approach	16 October 2020	35,000,000	Halk Bankası A.Ş.		1,694	189,357	1,346
İstanbul Etiler Building	27 October 2010	11,000,000	Comparable Sales Approach	10 December 2020	26,500,000	Halk Bankası A.Ş.	363,000	859	340,373	11,093
İstanbul Fatih Building	28 October 2010	6,380,000	Comparable Sales Approach	9 December 2020	16,750,000	Halk Bankası A.Ş.	243,000	1,348	218,188	1,113
İstanbul Karaköy Building ⁷	2 November 2010	23,500,000	Comparable Sales Approach	2 December 2020	45,000,000	-	-	1,758	-	1,513
İstanbul Nişantaşı Building	2 November 2010	5,000,000	Comparable Sales Approach	9 November 2020	12,500,000	Halk Bankası A.Ş.	201,000	335	183,278	372
İstanbul Salpazarı 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.	855,000	17,683	1,632,825	16,905
İstanbul Şişli Building	2 November 2010	11,000,000	Comparable Sales Approach	9 December 2020	22,500,000	Halk Bankası A.Ş.	369,000	32,115	336,010	1,686
İzmir Konak Building-1	2 November 2010	13,400,000	Comparable Sales Approach	18 December 2020	38,500,000	Halk Bankası A.Ş.	273,546	5,826	458,195	1,590
İzmir Konak Building-2 ⁸	2 November 2010	10,290,000	Comparable Sales Approach	22 December 2020	21,000,000	Halk Bankası A.Ş., Halk Hayat ve Emeklilik AŞ	178,368	360,392	312,015	9,871
Kocaeli Building	28 October 2010	6,519,193	Comparable Sales Approach	9 December 2020	16,000,000	Halk Bankası A.Ş.	300,000	1,557	305,464	1,272
Kocaeli Şekerpınar Block-A	11 September 2012	67,860,443	Revenue Discount Method	24 November 2020	171,000,000	Halk Bankası A.Ş.	2,232,626	67,262	1,997,608	67,217
Kocaeli Şekerpınar Block-B ⁹	11 September 2012	39,830,221	Revenue Discount Method	24 November 2020	103,000,000	-	-	133,733	-	108,072
Levent Hotel Building ²¹	3 November 2010	91,186,481	Revenue Discount Method	2 December 2020	286,200,000	Caba İnşaat Enerji Tur. San. ve Tic. AŞ	-	45,082	5,391,559	41,130
Sakarya Adapazarı Building- ²³	15 January 2021	10,200,000	Comparable Sales Approach	17 December 2020	10,000,000	Halk Bankası A.Ş.	93,097	14,283	-	-
Bizimtepe Aydos T 1-2-3 No BB Nursery ¹⁰	10 April 2019	1,462,550	Comparable Sales Approach	6 November 2020	2,615,000	Yakın Ufuklar Eğitim Kurumları A.Ş.	47,767	4,683	43,500	4,626
Bizimtepe Aydos T 17-18-19-20-21-22 No BB Market ¹¹	16 April 2019	799,931	Comparable Sales Approach	6 November 2020	1,840,000	Mopaş Marketçilik Gıda San. ve Tic. A.Ş.	55,027	1,947	28,036	1,861
Bizimtepe Aydos T 13 No BB Hairdresser ¹²	23 May 2019	103,601	Comparable Sales Approach	6 November 2020	245,000	Real Person	2,987	300	2,700	296
Bizimtepe Aydos T 16 No BB Nuts Shop ¹³	10 June 2019	106,997	Comparable Sales Approach	6 November 2020	380,000	Real Person	3,459	391	3,150	386
Bizimtepe Aydos T 26 No BB Real Estate Agency ¹⁴	19 September 2019	135,420	Comparable Sales Approach	6 November 2020	327,500	Akath Grup Gayrimenkul İnş San ve Dış Tic Ltd Şti	3,000	363	-	362
Bizimtepe Aydos T 25 No BB Pharmacy ¹⁵	1 October 2019	134,490	Comparable Sales Approach	6 November 2020	327,500	Real Person	4,638	361	4,200	362
Bizimtepe Aydos T 23-24 No BB Real Estate Agency ¹⁶	30 October 2019	323,378	Comparable Sales Approach	6 November 2020	1,060,000	Akath Grup Gayrimenkul İnş San ve Dış Tic Ltd Şti	14,200	1,041	12,750	1,043
Bizimtepe Aydos T 39-40-41-42-43-44 No BB Gift Shop ¹⁷	22 November 2019	288,565	Comparable Sales Approach	6 November 2020	797,500	Mesgalem Hediye San. A.Ş.	1,500	1,029	5,442	1,015
Bizimtepe Aydos T 27-28 No BB Real Estate Agency ¹⁸	27 March 2020	92,250	Comparable Sales Approach	6 November 2020	255,000	Akath Grup Gayrimenkul İnş San ve Dış Tic Ltd Şti	750	334	-	2
Bizimtepe Aydos T 14 No BB Real Estate Agency ¹⁹	10 April 2020	103,601	Comparable Sales Approach	6 November 2020	245,000	Gerçek Kışı	2,763	297	-	-
Bizimtepe Aydos T 29-30-31-32 No BB Real Estate Agency ²⁰	27 April 2020	181,305	Comparable Sales Approach	6 November 2020	500,000	Akath Grup Gayrimenkul İnş San ve Dış Tic Ltd Şti	6,430	80	-	-
Total buildings		546,648,326			1,417,517,500		12,717,354	783,934	18,438,713	351,889
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		808,435,589			3,262,427,500		12,717,354	783,934	18,438,713	353,163

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

(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 5 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. The mentioned land was transferred to Adapazarı Municipality on 15 January 2021, in exchange for the inclusion of the "Sakarya Adapazarı Building-2" building in the portfolio.
- 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- Due to the building reinforcement works carried out in İstanbul Beşiktaş Building, no rental income was obtained between 7 June 2020 and 11 October 2020.
- 6- The lease agreement of the İstanbul Beyoğlu Building with T.Halk Bankası AŞ has expired as of 15 February 2020. A new lease agreement was signed with Taksim Yatırım Gayrimenkul A.Ş. on 22 October 2020. Rental income will begin to be obtained 20 months after the necessary construction permits are obtained for the strengthening of the building.
- 7- İstanbul Karaköy Building lease contract was expired on 23 October 2017.
- 8- Lease contract with Halk Hayat ve Emeklilik AŞ., the lessee of İzmir Konak 2 building terminated as of 31 August 2020.
- 9- Marketing activities are ongoing for Kocaeli Şekerpanar Block B Building.
- 10- Bizimtepe Aydos T Blok Independent Sections Numbered 01,02,03 (Nursery) were leased to Yakın Ufuklar Eğitim Kurumları A.Ş. on 10 April 2019.
- 11- 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.
- 12- Bizimtepe Aydos Trade Block Independent Section Numbered 13 (Coiffeur) was leased to a real person on 23 May 2019.
- 13- Bizimtepe Aydos Trade Block Independent Section Numbered 16 (Dried fruits and nuts store) was leased to natural person on 10 June 2019.
- 14- 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 28 February 2021.
- 15- Bizimtepe Aydos Trade Block Independent Section Numbered 25 (Pharmacy) was leased to a real person on 1 October 2019.
- 16- 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.
- 17- The lease contract signed with Meşgalem Gift Industry A.Ş., tenant of Bizimtepe Aydos Ticaret Blok Ticaret Blok Independent Sections (Souvenir shop) No. 39,40,41,42,43,44, has been terminated on 12 March 2021.
- 18- Bizimtepe Aydos Ticaret Blok Ticaret Blok No. 27,28 Independent Sections (Realtor) was rented to Akatlı Group on 27 March 2020.
- 19- The lease agreement signed with Habitat Gayrimenkul İnş.Eml.Eğit. Danış.ve Paz. Tic. A.Ş., the tenant of Bizimtepe Aydos Ticaret Blok Ticaret Blok No. 14 Independent Section (Realtor), has expired on 31 January 2021 and the independent sections have been leased to a Real Person as of 1 February 2021.
- 20- Bizimtepe Aydos Ticaret Blok Ticaret Blok 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.
- 21- The lease agreement with Dedeman Turizm Yönetim AŞ for the Levent Hotel Building was terminated as of 31 December 2020 and a lease agreement was signed with Caba İnşaat Enerji Tur. San. ve Tic. A.Ş. to start in 2021. Since the renovation process of the building is ongoing, no rental income has been obtained as of 31 March 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 March 2021 and 31 December 2020 annual minimum lease amounts concerning the remaining lease terms are as follows:

	31 March 2021	31 December 2020
<u>Operating leases</u>		
Less than one year	68,838,161	52,366,961
Between one and five years	202,449,527	205,959,191
More than five years	234,816,681	241,762,696
	<u>506,104,369</u>	<u>500,088,848</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2021**

(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 2021	2,536,371	5,724,534	2,531,968	10,792,873
Additions	41,069	-	340,716	381,785
Disposals	-	-	-	-
Closing balance as of 31 March 2021	<u>2,577,440</u>	<u>5,724,534</u>	<u>2,872,684</u>	<u>11,174,658</u>

Accumulated Depreciation				
Opening balance as of 1 January 2021	(1,553,436)	(3,616,020)	(1,537,195)	(6,706,651)
Charge for the period	(79,866)	(546,517)	(243,249)	(869,632)
Disposals	-	-	-	-
Closing balance as of 31 March 2021	<u>(1,633,302)</u>	<u>(4,162,537)</u>	<u>(1,780,444)</u>	<u>(7,576,283)</u>
Net carrying value as of 31 March 2021	<u>944,138</u>	<u>1,561,997</u>	<u>1,092,240</u>	<u>3,598,375</u>

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	86,705	1,161,305	318,370	1,566,380
Disposals	-	-	-	-
Closing balance as of 31 March 2020	<u>2,097,409</u>	<u>4,840,101</u>	<u>2,335,771</u>	<u>9,273,281</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	(56,761)	(394,146)	(289,598)	(740,505)
Disposals	-	-	-	-
Closing balance as of 31 March 2020	<u>(1,344,701)</u>	<u>(1,724,323)</u>	<u>(953,783)</u>	<u>(4,022,807)</u>
Net carrying value as of 31 March 2020	<u>752,708</u>	<u>3,115,778</u>	<u>1,381,988</u>	<u>5,250,474</u>

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

The depreciation periods of property, plant and equipment are as follows:

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

Depreciation expenses of TL 570,956 (31 March 2020: TL 466,939) have been charged in marketing expenses and TL 298,676 (31 March 2020: TL 273,566) have been charged in general administrative expenses.

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10. INTANGIBLE ASSETS

	Other Intangible Assets
<u>Cost Value</u>	
Opening balance as of 1 January 2021	1,120,963
Additions	12,502
Closing balance as of 31 March 2021	<u>1,133,465</u>
<u>Accumulated Amortization</u>	
Opening balance as of 1 January 2021	(770,292)
Charge for the period	(18,239)
Closing balance as of 31 March 2021	(788,531)
Net carrying value as of 31 March 2021	<u>344,934</u>
	Other Intangible Assets
<u>Cost Value</u>	
Opening balance as of 1 January 2020	1,023,732
Additions	-
Closing balance as of 31 March 2020	<u>1,023,732</u>
<u>Accumulated Amortization</u>	
Opening balance as of 1 January 2020	(717,773)
Charge for the period	(11,088)
Closing balance as of 31 March 2020	(728,861)
Net carrying value as of 31 March 2020	<u>294,871</u>

Amortization expenses of TL 18,239 (31 March 2020: TL 11,088) have been charged in general administrative expenses.

The depreciation periods of property, plant and equipment are as follows:

	Useful Life
Other intangible assets	2-10 years

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

As at 31 March 2021 and 31 December 2020, lawsuit details is as follows:

	31 March 2021	31 December 2020
<u>Other short-term provisions</u>		
Lawsuit provision	-	-
	<u>-</u>	<u>-</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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(Amounts expressed in Turkish Lira (TL).)

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

	Provision for legal claims
Balance as of 1 January 2021	-
Provision reversed	-
Balance as of 31 March 2021	-
	Provision for legal claims
Balance as of 1 January 2020	2,036
Additional provisions recognized	(2,036)
Balance as of 31 March 2020	-

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 27 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 1 consumer cases and 1 civil lawsuit 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.

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(Amounts expressed in Turkish Lira (TL).)

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

		31 March 2021	31 December 2020
A. CPMs Given for Company's Own Legal Personality		373,681,545	395,808,339
	-Collateral	223,681,545	245,808,339
	-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		159,768,177	162,181,423
	-Collateral	159,768,177	162,181,423
	-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>533,449,722</u>	<u>557,989,762</u>

A. CPMs Given for Company's Own Legal Personality	Project	CPM Type	31 March 2021	31 December 2020
Halk Bankası A.Ş.	Halkbank Finance Tower	Mortgage	150,000,000	150,000,000
İller Bankası A.Ş.	İstanbul Finance Center	Letter of Guarantee	222,628,171	244,899,015
T.C. İstanbul Büyükşehir Belediyesi	Dedeman Hotel	Letter of Guarantee	872,739	769,436
2,5 ve 8 No'lu Eskişehir İcra Müdürlükleri	Eskişehir project	Letter of Guarantee	167,195	126,448
Sakarya Elektrik Perakende Satış A.Ş.	Kocaeli project	Letter of Guarantee	13,440	13,440
			<u>373,681,545</u>	<u>395,808,339</u>

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

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

31 March 2021						
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties	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 (*)	-	2,341,685	662,565,000	331,282,500	-	1,170,843
Halk GYO-Er Konut Joint Ventures (**)	-	1,167,900	180,000,000	90,000,000	-	583,950
Teknik Yapı-Halk GYO Joint Ventures (***)	116,026,768	200,000,000	-	-	-	158,013,384
Total	116,026,768	203,509,585	842,565,000	421,282,500	-	159,768,177

(*) 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 116,026,768 and the letter of conveyance to T.Halk Bankası A.Ş amounting to TL 200,000,000 as of 31 March 2021.

31 December 2020						
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties	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	162,181,424

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

	31 March 2021	Equity Rate	31 December 2020	Equity Rate
A. CPMs Given for Company's Own Legal Personality	373,681,545	12.73%	395,808,339	13.53%
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties				
<i>Halk GYO-Vakıf GYO Joint Ventures (*)</i>	<i>1,170,843</i>	<i>0.04%</i>	<i>1,774,336</i>	<i>0.06%</i>
<i>Halk GYO-Er Konut Joint Ventures (**)</i>	<i>583,950</i>	<i>0.02%</i>	<i>1,281,088</i>	<i>0.04%</i>
<i>Teknik Yapı-Halk GYO Joint Ventures (***)</i>	<i>158,013,384</i>	<i>5.38%</i>	<i>159,126,000</i>	<i>5.44%</i>

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

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

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

Collateral, Pledge and Mortgage Received	Project	CPM Type	31 March 2021	31 December 2020
YDA İnşaat San. ve Tic. A.Ş.	İstanbul Finance Center	Letter of guarantee	131,362,964	131,362,964
Buga Otis Asansör San.ve Tic.A.Ş.	İstanbul Finance Center	Letter of guarantee	60,330,916	58,885,780
Caba İnşaat Enerji Turizm San. ve Tic. A.Ş.	Levent Hotel (lessee)	Letter of guarantee	14,160,000	-
Sapaz Otelecilik Turizm İnşaat Sanayi Ve Ticaret A.Ş.	İstanbul Salıpzazı (lessee)	Letter of guarantee	10,233,361	10,233,361
Barankaya Zemin Müh.İnş. Taah. Nakl.San.Ve Tic.A.Ş.	İzmir Evora	Guarantee note	4,288,334	-
Er Konut İnş. Taah. İnşaat Malz. Nak. ve Mad. Tic. A.Ş.	Erzurum Şehristan	Letter of guarantee	3,150,000	3,150,000
Dedeman Turizm Yönetimi A.Ş.	Levent Hotel (lessee)	Letter of guarantee	3,000,000	23,003,985
UCD Yapı A.Ş.	İzmir Evora	Guarantee note	1,878,588	1,878,588
Halkız İnşaat Otomotiv ve Tic. Ltd. Şti.	Bizintepe Aydos	Letter of guarantee	1,550,463	1,550,463
Entegre Proje Yönetim Dan.Müh.Tic. A.Ş.	İstanbul Finance Center	Letter of guarantee	1,326,617	1,326,617
Barankaya Zemin Müh.İnş. Taah. Nakl.San.Ve Tic.A.Ş.	İzmir Evora	Letter of guarantee	1,214,000	-
Teknik Yapı Proje A.Ş.	İzmir Evora	Guarantee note	746,045	746,045
Aslanoğlu Altyapı ve Üst Yapı A.Ş.	İzmir Evora	Guarantee note	733,900	-
Kaf ve İzmir Zemin A.Ş. Adi Ortaklığı	İzmir Evora	Guarantee note	714,365	714,365
Taksim Yatırım Gayrimenkul A.Ş.	Beyoğlu Lease Contract	Letter of guarantee	594,720	594,720
İpekyol Giyim Sanayi Pazarlama ve Ticaret A.Ş.	Ankara Bahçelievler (lessee)	Letter of guarantee	350,000	350,000
Sigma Mühendislik Hizm.Dek.İnş.Ltd.Şti.	Kocaeli Dilovası Industry Area	Letter of guarantee	339,010	-
Aktuna Ahşap San. ve Tic. Ltd Şti.	İzmir Evora	Guarantee note	207,638	207,638
Ceda Akaryakıt İnşaat Emlak Tur. Tic. Ltd. Şti.	Ankara Başkent (lessee)	Letter of guarantee	200,000	200,000
Duru Peyzaj Günseli Özdl	İzmir Evora	Guarantee note	191,875	-
Bilkay İnsan Kay.Eğt.Dan.Ltd.Şti.	Central Support Serv. Agr.	Letter of guarantee	70,000	-
Aktif Taah. İnş.Elek.Nak. Turz.San.Tic.Ltd.Şti.	İzmir Evora	Guarantee note	42,435	-
Aydoğan Dış Ticaret Anonim Şirketi	Rent a car	Letter of guarantee	41,040	-
Tan Oto Motorlu Araçlar Taahhütlük ve İnş. Tic. Ltd.Şti.	Rent a car	Letter of guarantee	21,534	-
Serhan Mühendislik İsmail Serhan Kocabaş Aktif Taah. İnş.Elek.Nak. Turz.San.Tic.Ltd.Şti.	İzmir Evora	Letter of guarantee	18,150	-
Zeha Mekanik Tes.Müh.Hav.Sis. İnş.Taah.San.Ve Tic.Ltd.Şti.	İzmir Evora	Letter of guarantee	12,300	-
Teknik Gayrimenkul Geliştirme A.Ş.	İzmir Evora	Guarantee note	5,940	-
CNV Yapı Mimarlık San. Tic. Ltd. Şti.	Caddebostan project	Letter of guarantee	-	733,900
Other	İzmir Evora	Guarantee note	-	124,775
			178,773	460,521
			<u>236,962,968</u>	<u>235,523,722</u>

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

	31 March 2021	31 December 2020
Employee bonus provision	1,292,613	1,030,090
Unused vacation provision	804,226	778,539
	<u>2,096,839</u>	<u>1,808,629</u>

Long-term provisions for employee benefits

	31 March 2021	31 December 2020
Retirement pay provision	753,910	817,067
	<u>753,910</u>	<u>817,067</u>

Provision for retirement pay liability:

The movements of provision for retirement pay liability in the accounting periods for the years ended 31 March 2021 and 31 December 2020, are as follows:

	1 January- 31 March 2021	1 January- 31 March 2020
Provision as of 1 January	817,067	740,620
Service cost	92,020	38,495
Interest cost	7,763	7,766
Retirement pay paid	-	(24,072)
Actuarial loss/gain	(162,940)	-
Provision as of 31 March	<u>753,910</u>	<u>762,809</u>

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

The amount payable consists of one month's salary limited to a maximum of TL 7,638.96 for each period of service at 31 March 2021 (31 December 2020: TL: 7,117.17).

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:

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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 of 31 March 2021, 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 2020: 3.85%) 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 4.95% 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 January 2021 is used in the calculation of the Group's provision for retirement pay liability (1 January 2021: TL 7,638.96).

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 91,853 / TL (109,044). If the anticipated turnover rate would have been 1% lower/(higher) while all other variables were held constant, provision for employee termination benefits would (increase)/decrease by TL (31,408) / TL 28,308.

13. OTHER ASSETS AND LIABILITIES

	31 March 2021	31 December 2020	
<u>Other Current Assets</u>			
Deferred VAT (*)	30,396,921	29,734,324	
Deposits and guarantees given	77,121	76,143	
Business advances given	19,614	15,938	
Other	998,493	894,381	
	<u>31,492,149</u>	<u>30,720,786</u>	
	31 March 2021	31 December 2020	
<u>Other Non-Current Assets</u>			
Deferred VAT (**)	34,953,177	33,748,888	
	<u>34,953,177</u>	<u>33,748,888</u>	
	31 March 2021	31 December 2020	
(*) Details of VAT Carried Forward	Project		
Halk GYO-Vakıf GYO Adi Ortaklığı	Bizimtepe Aydos	18,996,864	19,013,881
Halk GYO-Erkonut Adi Ortaklığı	Erzurum Şehristan	4,418,009	4,417,144
Halk GYO-Teknik Yapı Ortaklığı	İzmir Evora	4,734,540	4,052,360
Halk Yapı Projeleri Geliştirme A.Ş.		2,247,508	2,250,939
		<u>30,396,921</u>	<u>29,734,324</u>

(**) As of 31 March 2021, the VAT balance of Halk GYO amounting to TL 34,953,177 is followed under other non-current assets since collection is expected in long-term (31 December 2020: TL 33,748,888).

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13. OTHER ASSETS AND LIABILITIES (cont'd)

	31 March 2021	31 December 2020
<u>Other Current Liabilities</u>		
Deposits and collaterals received(*)	11,925,195	10,870,101
Taxes and funds payable	2,452,272	1,005,627
Other miscellaneous debts and liabilities	571,068	514,663
	<u>14,948,535</u>	<u>12,390,391</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 March 2021 and 31 December 2020 the share capital held is as follows:

Shareholders	Group	%	31 March 2021		31 December 2020	
				%		%
Halkbank	A	1.58	15,326,700	1.58	15,326,700	
Halkbank(*)	B	70.38	682,707,471	70.38	682,707,471	
Halk Yatırım Menkul Değerler A.Ş.	A	0.04	366,038	0.04	366,038	
Halk Finansal Kiralama AŞ	A	<0,01	1	<0,01	1	
Publicly traded	B	28.00	271,599,790	28.00	271,599,790	
Nominal capital		100	970,000,000	100	970,000,000	
Total capital			<u>970,000,000</u>		<u>970,000,000</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 March 2021 (31 December 2020: 27,346,398.639 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.

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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 of 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 March 2021 (31 December 2020: 27,346,399 shares). The details of the treasury shares acquired for the year ended 31 March 2021 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 March 2021, the Company's restricted reserves appropriated from profit are comprised of legal reserves amounting to TL 54,982,184 (31 December 2020: TL 52,735,975).

15. REVENUE AND COST OF SALES

	1 January- 31 March 2021	1 January- 31 March 2020
a) Sales		
Total income on properties	31,704,642	49,411,253
<i>Income from the sale of investment property</i>	18,987,288	-
<i>Income from sale of residence</i>	-	30,972,540
<i>Rental income</i>	12,717,354	18,438,713
Total income on debt instruments	2,257,051	652,091
<i>Interest income on deposits</i>	2,257,051	652,091
	<u>33,961,693</u>	<u>50,063,344</u>
	1 January- 31 March 2021	1 January- 31 March 2020
b) Cost of Sales		
Cost of sales of investment property	17,876,526	-
Cost of sale of residence	-	23,677,934
Other	783,932	353,163
	<u>18,660,458</u>	<u>24,031,097</u>

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16. EXPENSES BY NATURE

	1 January- 31 March 2021	1 January- 31 March 2020
Cost of sales of investment property	17,876,526	-
Cost of residence sales	-	23,677,934
Personnel expenses	3,632,506	2,924,889
Building common expenses	76,594	326,660
Advertisement expenses	601,218	172,878
Depreciation and amortization expenses	887,871	751,593
Commission expenses	33,153	712,262
Taxes, fees and duties	823,523	285,018
Outsourced benefits	209,598	223,737
Maintenance and repair expenses	219,813	98,479
Consulting expenses	209,061	79,436
Stationery and IT related expenses	40,727	38,018
Travel and car expenses	28,444	37,099
Rent expenses	12,469	3,302
Other	448,183	470,094
	<u>25,099,686</u>	<u>29,801,399</u>

17. GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES

	1 January- 31 March 2021	1 January- 31 March 2020
General administrative expenses (-)	5,387,794	3,892,875
Marketing expenses (-)	1,051,434	1,877,427
	<u>6,439,228</u>	<u>5,770,302</u>

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17. GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES (cont'd)**a) Details of General Administrative Expenses**

	1 January- 31 March 2021	1 January- 31 March 2020
Personnel expenses	3,452,321	2,843,458
Advertisement expenses	527,026	74,359
Taxes, fees and duties	409,901	177,122
Depreciation and amortization charges	316,915	284,654
Consulting expenses	209,061	79,436
Outsourced benefits	207,322	223,737
Maintenance and repair expenses	155,063	98,479
Stationery and IT related expenses	40,122	38,018
Travel and car expenses	28,444	37,099
Rent expenses	12,469	3,302
Other expenses	29,150	33,211
	<u>5,387,794</u>	<u>3,892,875</u>

b) Details of Marketing Expenses

	1 January- 31 March 2021	1 January- 31 March 2020
Depreciation and amortization charges	570,956	466,939
Personnel expenses	180,185	81,431
Advertisement expenses	74,192	98,519
Commission expenses (*)	33,153	712,262
Building common expenses	76,594	326,660
Taxes, fees and duties	41,693	107,896
Other expenses	74,661	83,720
	<u>1,051,434</u>	<u>1,877,427</u>

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

Details of Personnel Expenses

	1 January- 31 March 2021	1 January- 31 March 2020
Wages and salaries	2,658,924	2,173,666
Social Security Institution employer's shares	388,057	332,730
Insurance expenses	162,784	155,591
Attendance fees	164,053	144,429
Provision expenses for retirement pay and unused vacation	63,340	101,471
Other	195,348	17,002
	<u>3,632,506</u>	<u>2,924,889</u>

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18. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities:

	1 January- 31 March 2021	1 January- 31 March 2020
Foreign exchange gains arising from activities	240,534	518,669
Income from waiver and cancellation of promise of sale	93,603	-
Provisions released	96,898	-
Other income	81,023	97,932
	<u>512,058</u>	<u>616,601</u>

Other expenses from operating activities:

	1 January- 31 March 2021	1 January- 31 March 2020
Foreign exchange difference expense arising from activities	(168,792)	(493,400)
Other expenses	(854)	(291,240)
	<u>(169,646)</u>	<u>(784,640)</u>

19. FINANCE EXPENSES

	1 January- 31 March 2021	1 January- 31 March 2020
Short-term lease certificate interest expenses	11,177,713	9,238,801
Expenses on finance leases	3,936,165	1,760,113
Interest expenses from bank loans	3,122,266	1,551,375
Commission expenses	1,144,967	152,858
Expenses on operating leases	89,466	57,926
	<u>19,470,577</u>	<u>12,761,073</u>
Less: Amounts included in the investment properties	<u>(18,713,341)</u>	<u>(11,042,474)</u>
Finance expense	<u>757,236</u>	<u>1,718,599</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

	1 January- 31 March 2021	1 January- 31 March 2020
Earning per share		
The average number of shares during the year (full value)	970,000,000	970,000,000
Net profit of the shareholders	8,447,183	18,476,557
Earnings per share from continuing or discontinued operations	0.0087	0.0190

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22. FINANCIAL INSTRUMENTS**Financial Liabilities**

	31 March 2021	31 December 2020
Financial Liabilities		
a) Borrowing Instruments	333,032,725	335,615,485
b) Bank Loans	122,855,197	118,092,468
c) Finance Lease Payables(*)	40,690,192	26,391,408
d) Operating Lease Payables	1,245,897	1,117,575
	497,824,011	481,216,936

(*) The Company 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 March 2021	31 December 2020
Borrowing Instruments		
Short-term lease certificates	333,032,725	335,615,485
	333,032,725	335,615,485

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

Issue Date	Maturity Date	Rate of Return	Nominal Value	Amortization Date	Amortization Amount
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	41,865,200
29 September 2020	24 February 2021	13.15%	120,000,000	24 February 2021	126,398,520
6 October 2020	10 March 2021	13.15%	120,000,000	10 March 2021	126,701,040
23 December 2020	6 April 2021	17.4%	46,000,000	6 April 2021	-
24 February 2021	23 June 2021	17.7%	150,000,000	23 June 2021	-
10 March 2021	1 July 2021	17.75%	131,000,000	1 July 2021	-

The Group's financial bond issuance details are given below:

Issue Date	Maturity Date	Rate of Return	Addition Amount	Amortization Date	Issue Amount
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 March 2021	31 December 2020
Bank Loans		
Short-term bank loans	14,242,766	6,313,225
Short-term portion of long-term bank loans	51,053,757	40,918,126
Long-term bank loans	57,558,674	70,861,117
	<u>122,855,197</u>	<u>118,092,468</u>

Interest rates of financial liabilities are as follows:

Financial Instrument	Currency	Weighted average interest rate	31 March 2021	
			Short-term	Long-term
Lease certificates	TL	17.68%	333,032,725	-
Fixed rate loans	TL	9.72%	56,764,521	57,558,671
Floating rate loans	TL	13.07%	8,532,001	-
Financial lease	EUR	5.10%	17,389,827	23,300,365
Operating lease	TL	23.5%	699,113	485,036
Operating lease	EUR	5.10%	61,752	-
			<u>416,479,939</u>	<u>81,344,072</u>

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	EUR	5.10%	12,957,765	13,433,643
Operating lease	TL	23.5%	757,030	298,793
Operating lease	EUR	5.10%	61,752	-
			<u>396,623,383</u>	<u>84,593,553</u>

Maturities of bank borrowings are as follows:

	31 March 2021	31 December 2020
Less than 1 year	416,479,939	396,623,383
Between 1-2 years	64,280,006	59,608,580
Between 2-3 years	17,064,066	23,975,740
Between 3-4 years	-	1,009,233
	<u>497,824,011</u>	<u>481,216,936</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 March 2021	31 December 2020
Financial Liabilities	497,824,011	481,216,936
Less: Cash and Cash Equivalents	(2,305,503)	(49,553,215)
Net Debt	495,518,508	431,663,721
Total Shareholders Equity	2,935,098,835	2,926,488,712
Total Share Capital	970,000,000	970,000,000
Gearing Ratio	51%	45%

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. The Group's risk management programme generally focuses on uncertainty in financial markets and minimizing potential negative effects on the 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				Deposits at Banks
	Trade Receivables		Other Receivables		
31 March 2021	Related Parties	Other	Related Parties	Other	
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	60	5,819,720	-	-	2,305,503
- Secured portion of the maximum credit risk by guarantees, etc. (**)	-	3,180,923	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	60	5,819,720	-	-	2,305,503
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

31 December 2020	Receivables				
	Trade Receivables		Other Receivables		Deposits at Banks
	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)***

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 March 2021**

<u>Contractual Terms</u>	<u>Carrying value</u>	<u>Total Contractual</u>	<u>Less than 3</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>
		<u>Cash Outflows</u>	<u>months (I)</u>	<u>(II)</u>	<u>(III)</u>
		<u>(I+II+III)</u>			
Non-derivative financial liabilities					
Bank loans	122,855,197	136,860,111	20,265,002	48,219,859	68,375,250
Debt securities issued	333,032,725	345,135,350	206,936,638	138,198,712	-
Financia lease liabilities	40,690,192	43,381,494	4,356,762	13,487,878	25,536,854
Long-term liabilities arising from operating leases	1,245,897	1,406,785	348,704	527,251	530,830
Trade payables	29,608,121	29,608,121	29,608,121	-	-
Other liabilities	3,023,340	3,023,340	3,023,340	-	-
Total liabilities	530,455,472	559,415,201	264,538,567	200,433,700	94,442,934

31 December 2020

<u>Contractual Terms</u>	<u>Carrying value</u>	<u>Total Contractual</u>	<u>Less than 3</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>
		<u>Cash Outflows</u>	<u>months (I)</u>	<u>(II)</u>	<u>(III)</u>
		<u>(I+II+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	-
Financia lease liabilities	26,391,408	27,926,179	5,486,637	7,736,660	14,702,882
Long-term liabilities arising from operating leases	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	539,955,908	340,008,426	99,862,014	100,085,468

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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 March 2021		
	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	90,962	-	9,306
6a. Monetary Financial Assets	-	-	-
6b. Non-monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	90,962	-	9,306
9. TOTAL ASSETS	90,962	-	9,306
10. Trade Payables	-	-	-
11. Financial Liabilities	17,451,579	-	1,785,492
12a. Monetary Other Liabilities	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-
13. CURRENT LIABILITIES	17,451,579	-	1,785,492
14. Trade Payables	-	-	-
15. Financial Liabilities	23,300,365	-	2,383,889
16a. Monetary Other Liabilities	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-
17. NON-CURRENT LIABILITIES	23,300,365	-	2,383,889
18. TOTAL LIABILITIES	40,751,944	-	4,169,381
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	(40,660,982)	-	(4,160,074)
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-12a-14-16a)	(40,660,982)	-	(4,160,074)

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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 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)*****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.

	31 March 2021			
	<u>Profit / Loss</u>		<u>Equity</u>	
	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>
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)	-	-	-	-
In case of Euro increases in 10% against TL				
4 - Euro net asset/liability	(4,066,098)	4,066,098	(4,066,098)	4,066,098
5 - Euro hedges (-)	-	-	-	-
6- Net effect of Euro (4+5)	<u>(4,066,098)</u>	<u>4,066,098</u>	<u>(4,066,098)</u>	<u>4,066,098</u>
	<u>(4,066,098)</u>	<u>4,066,098</u>	<u>(4,066,098)</u>	<u>4,066,098</u>

	31 December 2020			
	<u>Profit / Loss</u>		<u>Equity</u>	
	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>	<u>Appreciation of Foreign Currency</u>	<u>Depreciation of Foreign Currency</u>
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)	-	-	-	-
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>

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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:

	<u>31 March 2021</u>	<u>31 December 2020</u>
Fixed Interest Rate Instruments		
Financial Liabilities	489,292,010	481,216,936
Variable Interest Rate Instruments		
Financial Liabilities	8,532,001	-

24. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)

	Difference profit or loss at fair value	Financial liabilities at amortized cost	Carrying value	Note
31 March 2021				
<u>Financial assets</u>				
Cash and cash equivalents	2,305,503	-	2,305,503	26
Trade receivables	5,819,780	-	5,819,780	5
<u>Financial liabilities</u>				
Borrowings	-	497,824,011	497,824,011	22
Trade payables	-	29,272,576	29,272,576	5
Due to related parties	-	335,545	335,545	4
Other financial liabilities	-	3,023,340	3,023,340	13

	Difference profit or loss at fair value	Financial liabilities at amortized cost	Carrying value	Note
31 December 2020				
<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	433,407,135	22
Trade payables	-	30,887,316	2,899,627	5
Due to related parties	-	8,742	55,804	4
Other financial liabilities	-	1,520,290	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

The Company made an application to the Capital Markets Board regarding the increase of its issued capital from TL 970,000,000 to TL 1,020,000,000, to remain within the registered capital ceiling of TL 2,500,000,000 as of 27 April 2021 and to be fully covered from the profit for the year 2020.

26. NOTES ON THE STATEMENT OF CASH FLOWS

	31 March 2021	31 December 2020
Cash at banks	2,305,532	49,553,809
<i>Demand deposits (*)</i>	747,519	798,013
<i>Time deposits</i>	1,558,013	48,755,796
Expected credit loss (-)	(29)	(594)
<i>Cash and cash equivalents in the statement of financial position</i>	2,305,503	49,553,215
Less: Interest income accruals on cash equivalents	(798)	(21,693)
<i>Cash and cash equivalents in the statement of cash flows</i>	2,304,705	49,531,522

(*) As of 31 March 2021 and 31 December 2020, there is blocked amount for salary payments to personnel from demand deposit amounts.

As of 31 March 2021 and 31 December 2020, the details of time deposits at banks are as follows:

31 March 2021	Amount	Interest rate	Maturity
<u>Time deposits</u>			
TL	1,131,506	18.25%	1 April 2021
TL	343,886	18.75%	1 April 2021
TL	4,987	4.75%	1 April 2021
TL	36,436	18.80%	1 April 2021
TL	41,198	18.75%	1 April 2021
	1,558,013		

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

31 December 2020	Amount	Interest rate	Maturity
Time deposits			
TL	48,725,549	16.25%	4 January 2021
TL	5,692	3.00%	4 January 2021
TL	24,555	15.50%	4 January 2021
	48,755,796		

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 15 October 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 for the Second Circuit on 17 December 2019. On 21 February 2020, the Second Circuit denied 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 trials would begin on 1 March 2021 for which the schedule was revised on 26 October 2020. Accordingly, the jury trials are scheduled to be held on 3 May 2021. In this regard, the Parent 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.

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

District Court denied Parent Bank's motion to dismiss the indictment on 1 October 2020. The Parent Bank appealed the Court of Appeals for the Second Circuit through 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 for the Second Circuit accepted to hear the appeal on the merits and granted Parent Bank's motion to stay the case pending sovereign immunity appeal. Before the Court of Appeals for the Second Circuit, oral argument was presented on 12 April 2021 and the appeal is still pending. On condition that, the Parent Bank does not prevail at the Court of Appeals for the Second Circuit, a new schedule will be necessary to be created by the District Court for the jury trials.

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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 Parent Bank filed a motion at the District Court to dismiss the complaint of plaintiffs on 25 September 2020. The case was fully briefed on 16 December 2020. District Court conditionally granted Parent Bank's motion to dismiss, filed on 16 December 2020, on the grounds of forum non conveniens. The case was closed at the District Court on 3 March 2021. Plaintiffs filed their notice of appeal at the Court of Appeals for the Second Circuit with regard to the District Court's Decision on 17 March 2021. The appeal with regard to the civil case is still pending.

The proceedings of both the criminal case and civil case are closely monitored by the Parent Bank through law firms representing the Parent 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 March 2021, 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 March 2021 (TL)	31 December 2020 (TL)
A	Money and capital market instruments	Serial: III-48.1, Article 24/(b)	2,305,503	49,553,215
B	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article24/(a)	3,354,445,847	3,278,206,351
C	Subsidiaries	Serial: III-48.1, Article24/(b)	--	--
	Due from related parties (non-trade)	Serial: III-48.1, Article23/(f)	--	--
	Other assets		185,216,719	186,966,514
D	Total Assets	Serial: III-48.1, Article3/(k)	3,541,968,069	3,514,726,080
E	Loans and borrowings	Serial: III-48.1, Article31	455,887,922	453,707,953
F	Other financial liabilities	Serial: III-48.1, Article31		--
G	Financial leasing obligations	Serial: III-48.1, Article31	41,936,089	27,508,983
H	Due to related parties (non-trade)	Serial: III-48.1, Article23/(f)	--	--
İ	Equity	Serial: III-48.1, Article31	2,935,098,835	2,926,488,712
	Other liabilities		109,045,223	107,020,432
D	Total liabilities and equity	Serial: III-48.1, Article3/(k)	3,541,968,069	3,514,726,080
	Other financial information	Regulation	31 March 2021 (TL)	31 December 2020 (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)	2,305,503	49,553,215
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	383,449,722	407,989,762
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 March 2021 (TL)	31 December 2020 (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%	94.71%	93.27%
3	Money and capital market instruments and associates	Serial: III-48.1, Article 24/(b)	(A+C-A1)/D	Maximum 49%	0.07%	1.41%
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%	30.03%	30.38%
8	Time deposit/ demand deposit/ TL/ foreign currency	Serial: III-48.1, Article24/(b)	(A2-A1)/D	Maximum 10%	0.07%	1.41%
9	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article22/(l)	L/D	Maximum 10%	--	--