

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

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2021 AND  
INDEPENDENT AUDITOR'S REPORT**

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

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

**INDEPENDENT AUDITOR'S REPORT**

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

**A) Report on the Audit of Financial Statements**

**1) Opinion**

We have audited the accompanying consolidated financial statements of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") and its subsidiary ("the Group") which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRSs).

**2) Basis for Opinion**

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

**3) Emphasis of Matter**

As detailed in Note 28, we draw attention to the following matters from which the Parent Bank ("the Bank") can be affected:

On 15 October 2019, the New York Southern District Attorney General of the United States ("US") Department of Justice prepared an indictment and filed a lawsuit against the Parent Bank in the New York Southern District Court ("District Court") for alleged violations of Iranian sanctions. The criminal case pending in the District Court is pending due to an appeal by the Bank of the appeal under the "Foreign State Immunity Act (FSIA)". The appeal process of the Bank before the US Supreme Court is ongoing.

In addition, a civil lawsuit was filed against the Parent Bank on 27 March 2020 with a claim for compensation by plaintiffs in the U.S. New York Southern District Court "on the grounds that they (plaintiffs) could not satisfy their judgments from Iran due to violations of sanctions". The District Court dismissed the case. The complainants appealed the court decision before the Second Appeal. The appeal process is ongoing.

### 3) Emphasis of Matter (cont'd)

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

### 4) Key Audit Matters

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

| Key Audit Matter   | How the matter was addressed in the audit   |
|--|---|
| <p><b>1) Presentation of investment properties in the financial statements and significant disclosures</b><br/>The Group accounts for its investment properties at fair value.</p> <p>The fair values of the investment properties presented in the consolidated financial statements amounting to TL 4,142,257,500 as of 31 December 2021 have been determined by an independent appraiser firm.</p> <p>Due to the fact that approximately 93% of the Group's total assets consists of investment properties and valuation methods applied at fair value include significant estimates and assumptions, we have determined the accuracy of work performed for determination of fair value of the investment properties and principles related to presentation of investment properties in the consolidated financial statements as a key audit matter.</p> <p>(For the respective accounting policy please refer to "Note 2 Summary of Significant Accounting Policies" and for the details of investment properties please refer to Note 9.)</p> | <p>The following procedures were performed within the scope of our audit work:</p> <ul style="list-style-type: none"> <li>- We evaluated the design and implementation of the key controls prepared by the appraisers appointed by the Group.</li> <li>- The qualifications, competencies and impartiality of real estate appraisers appointed by the management have been evaluated.</li> <li>- The appropriateness of methods used by the Group's appraisers in their valuation reports for investment properties.</li> <li>- The reconciliation of the amounts disclosed in Note 8 for investment properties and the values determined by the appraisers in their reports.</li> <li>- The assumptions used by appraisers (including rate of increase, real discount rate, market rents and estimated occupancy rates) include the analysis of the market data in their determination of fair value of investment properties. We have engaged another independent external expert (real estate appraiser) in our work in order to assess such analysis.</li> <li>- In line with the above procedures, we have evaluated as to whether the values appreciated by valuation specialists are within an acceptable range, considering the existence of high level judgments used in valuation reports, as well as alternative estimates and valuation techniques.</li> <li>- Additionally, the appropriateness of the information disclosed in the consolidated financial statements and in the explanatory notes was controlled taking into consideration the significance of the disclosures to draw attention of the users.</li> </ul> |

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

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

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

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

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

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

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

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

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

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

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

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

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

## **B) Report on Other Legal and Regulatory Requirements**

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Group on 14 February 2022.

In accordance with paragraph four of the Article 402 of the TCC, nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January – 31 December 2021 does not comply with the TCC and the provisions of the Group's articles of association in relation to financial reporting.

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

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

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

Zere Gaye Şentürk  
Partner

Istanbul, 14 February 2022

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**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES****AUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (TL))

|  | <b>Notes</b> | <b>Audited<br/>31 December<br/>2021</b> | <b>Audited<br/>31 December<br/>2020</b> |
|--|--------------|---|---|
| <b>ASSETS</b>                                    |              |   |   |
| <b>Current Assets</b>                            |              |   |   |
| Cash and Cash Equivalents                        | 27           | 53,109,547                              | 49,553,215                              |
| Trade Receivables                                | 5            | 2,284,370                               | 5,346,392                               |
| <i>Trade Receivables from Related Parties</i>    | 4            | 60                                      | 60                                      |
| <i>Trade Receivables from Third Parties</i>      |              | 2,284,310                               | 5,346,332                               |
| Inventories                                      | 6            | 184,061,628                             | 18,178,851                              |
| Prepaid Expenses                                 | 7            | 260,880                                 | 1,524,881                               |
| <i>Prepaid Expenses to Related Parties</i>       | 4            | -                                       | 52,208                                  |
| <i>Prepaid Expenses to Third Parties</i>         |              | 260,880                                 | 1,472,673                               |
| Current Tax Assets                               |              | 734,045                                 | 846,745                                 |
| Other Current Assets                             | 14           | 42,743,451                              | 30,720,786                              |
| <i>Other Current Assets from Third Parties</i>   |              | 42,743,451                              | 30,720,786                              |
| <b>Non-Current Assets</b>                        |              |   |   |
| Trade Receivables                                | 5            | 244,980                                 | 1,587,042                               |
| <i>Trade Receivables From Third Parties</i>      |              | 244,980                                 | 1,587,042                               |
| Investment Properties                            | 9            | 4,142,257,500                           | 3,260,027,500                           |
| Property, Plant and Equipment                    | 10           | 4,181,825                               | 4,086,222                               |
| Intangible Assets                                | 11           | 787,395                                 | 350,671                                 |
| <i>Other Intangible Assets</i>                   |              | 787,395                                 | 350,671                                 |
| Prepaid Expenses                                 | 7            | 83,469,918                              | 108,754,887                             |
| <i>Prepaid Expenses to Related Parties</i>       |              | 561,536                                 | -                                       |
| <i>Prepaid Expenses to Third Parties</i>         |              | 82,908,382                              | 108,754,887                             |
| Other Non-Current Assets                         | 14           | 64,085,748                              | 33,748,888                              |
| <i>Other Non-Current Assets to Third Parties</i> |              | 64,085,748                              | 33,748,888                              |
| <b>TOTAL ASSETS</b>                              |              | <b>4,578,221,287</b>                    | <b>3,514,726,080</b>                    |

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

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

**AUDITED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (TL))

|  | Notes | Audited<br>31 December<br>2021 | Audited<br>31 December<br>2020 |
|--|-------|--------------------------------|--------------------------------|
| <b>LIABILITIES</b>   |       |                                |                                |
| <b>Current Liabilities</b>   |       |                                |                                |
| Short-term Borrowings  | 23    | 1,097,541,992                  | 502,826,748                    |
| <i>Short-term Borrowings from Related Parties</i>  |       | 869,036,092                    | 355,705,257                    |
| <i>Short-term Borrowings from Third Parties</i>  |       | 867,834,645                    | 354,886,476                    |
|  |       | 1,201,447                      | 818,781                        |
| Short-Term Portion of Long-Term Borrowings   | 23    | 50,368,187                     | 40,918,126                     |
| <i>Short-Term Portion of Long-Term Borrowings from Related Parties</i>                           |       | 50,368,187                     | 40,918,126                     |
| Trade Payables   | 5     | 55,532,099                     | 30,896,058                     |
| <i>Trade Payables to Related Parties</i>   | 4     | 10,021                         | 8,742                          |
| <i>Trade Payables to Third Parties</i>   |       | 55,522,078                     | 30,887,316                     |
| Liabilities Arising from Customer Contracts  | 8     | 94,920,309                     | 61,108,287                     |
| <i>Contract Liabilities Arising from Goods and Services Sales</i>                                |       | 94,920,309                     | 61,108,287                     |
| Short-Term Provisions  |       | 2,799,386                      | 1,808,629                      |
| <i>Short-Term Portion of Provisions Related to Employee Benefits</i>                             | 13    | 2,799,386                      | 1,808,629                      |
| Other Current Liabilities  | 14    | 24,885,919                     | 12,390,391                     |
| <i>Other Current Liabilities to Related Parties / Other Current Liabilities to Third Parties</i> |       | 24,885,919                     | 12,390,391                     |
| <b>Non-Current Liabilities</b>   |       |                                |                                |
| Long-Term Borrowings   | 23    | 180,501,152                    | 85,410,620                     |
| <i>Long-Term Financial Borrowings From Related Parties</i>                                       |       | 94,209,091                     | 84,593,553                     |
| <i>Long-Term Financial Borrowings From Third Parties</i>   |       | 94,209,091                     | 84,294,760                     |
|  |       | -                              | 298,793                        |
| Trade Payables   |       | 85,000,000                     | -                              |
| <i>Trade Payables to Related Parties</i>   | 4     | 85,000,000                     | -                              |
| Long-Term Provisions   | 13    | 1,292,061                      | 817,067                        |
| <i>Long-Term Portion of Provisions Related to Employee Benefits</i>                              |       | 1,292,061                      | 817,067                        |
| <b>EQUITY</b>  |       |                                |                                |
| Share Capital  | 15    | 3,300,178,143                  | 2,926,488,712                  |
| Treasury Shares (-)  | 15    | 1,020,000,000                  | 970,000,000                    |
| Share Premium / Discounts  |       | (28,756,004)                   | (27,346,399)                   |
| Accumulated Other Comprehensive Income or Expenses that will not be                              |       | 49,945,096                     | 49,945,096                     |
| Reclassified to Profit or Loss   |       | 61,003                         | 68,913                         |
| - <i>Gains on remeasurement of defined benefit plans</i>   |       | 61,003                         | 68,913                         |
| Restricted Reserves Appropriated from Profit   | 15    | 58,787,783                     | 52,735,975                     |
| Prior Years' Profit or Loss  |       | 1,821,583,883                  | 1,528,632,662                  |
| Net Profit or Losses for the Period  |       | 378,556,382                    | 352,452,465                    |
| <b>TOTAL LIABILITIES AND EQUITY</b>  |       | <b>4,578,221,287</b>           | <b>3,514,726,080</b>           |

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



**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES****AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (TL))

|  |              | <b>Audited</b>                             | <b>Audited</b>                             |
|--|--------------|--|--|
|  |              | <b>1 January-<br/>31 December<br/>2021</b> | <b>1 January-<br/>31 December<br/>2020</b> |
|  | <b>Notes</b> |  |  |
| Revenue  | 16           | 104,596,247                                | 151,865,863                                |
| Cost of Sales (-)  | 16           | (33,155,069)                               | (65,492,481)                               |
| <b>GROSS PROFIT (LOSS)</b>   |              | <b>71,441,178</b>                          | <b>86,373,382</b>                          |
| General Administrative Expenses (-)                                | 18           | (23,272,674)                               | (18,309,513)                               |
| Marketing Expenses (-)   | 18           | (5,491,793)                                | (10,596,425)                               |
| Other Income from Operating Activities                             | 19           | 380,015,122                                | 318,444,649                                |
| Other Expenses from Operating Activities (-)                       | 19           | (1,483,861)                                | (4,290,524)                                |
| <b>OPERATING PROFIT (LOSS)</b>                                     |              | <b>421,207,972</b>                         | <b>371,621,569</b>                         |
| <b>OPERATING PROFIT (LOSS) BEFORE<br/>FINANCE INCOME (EXPENSE)</b> |              | <b>421,207,972</b>                         | <b>371,621,569</b>                         |
| Finance Expenses (-)   | 20           | (42,651,590)                               | (19,169,104)                               |
| <b>PROFIT (LOSS) BEFORE TAX FROM<br/>CONTINUING OPERATIONS</b>     |              | <b>378,556,382</b>                         | <b>352,452,465</b>                         |
| <b>TAX EXPENSES</b>  |              | <b>-</b>                                   | <b>-</b>                                   |
| <b>PROFIT (LOSS) FOR THE PERIOD</b>                                |              | <b>378,556,382</b>                         | <b>352,452,465</b>                         |
| Earnings per Share   |              | 0.3711                                     | 0.3455                                     |
| <b>OTHER COMPREHENSIVE INCOME:</b>                                 |              |  |  |
| <b>Items That Will Not Be Reclassified to<br/>Profit or Loss</b>   |              | (7,910)                                    | 92,523                                     |
| Gain on Remeasurement of<br>Defined Benefit Plans                  | 13           | (7,910)                                    | 92,523                                     |
| <b>TOTAL COMPREHENSIVE INCOME / (EXPENSE)</b>                      |              | <b>378,548,472</b>                         | <b>352,544,988</b>                         |

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

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

**AUDITED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 31 DECEMBER 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 | Reserves Appropriated from Profit | Prior Years' Profits / Losses | Net Profit / Loss for the Period |        |
|  |                      |                     |                           |  |  |                                   |                               |                                  |        |
| <b>Balances as of 1 January 2020</b>   | 928,000,000          | (26,162,328)        | 49,945,096                | (23,610)   | 49,937,018   | 1,255,115,292                     | 321,408,214                   | 2,578,219,682                    |        |
| Transfers                              | -                    | -                   | -                         | -  | 2,798,957  | 318,609,257                       | (321,408,214)                 | -                                |        |
| Total Comprehensive Income             | -                    | -                   | -                         | 92,523   | -  | -                                 | 352,452,465                   | 352,452,465                      |        |
| Purchase of Share                      | 42,000,000           | (1,308,113)         | -                         | -  | -  | (40,691,887)                      | -                             | -                                |        |
| Capital Increase                       | -                    | 124,042             | -                         | -  | -  | (4,400,000)                       | -                             | (4,275,958)                      |        |
| Dividends                              | -                    | -                   | -                         | -  | -  | (4,400,000)                       | -                             | (4,275,958)                      |        |
| <b>Balances as of 31 December 2020</b> | <b>970,000,000</b>   | <b>(27,346,399)</b> | <b>49,945,096</b>         | <b>68,913</b>  | <b>52,735,975</b>  | <b>1,528,632,662</b>              | <b>352,452,465</b>            | <b>2,926,488,712</b>             |        |
| <b>Balances as of 1 January 2021</b>   | <b>970,000,000</b>   | <b>(27,346,399)</b> | <b>49,945,096</b>         | <b>68,913</b>  | <b>52,735,975</b>  | <b>1,528,632,662</b>              | <b>352,452,465</b>            | <b>2,926,488,712</b>             |        |
| Transfers                              | -                    | -                   | -                         | -  | 6,051,808  | 346,400,657                       | (352,452,465)                 | -                                |        |
| Total Comprehensive Income             | -                    | -                   | -                         | (7,910)  | -  | -                                 | 378,556,382                   | 378,548,472                      |        |
| Capital Increase                       | 50,000,000           | (1,409,605)         | -                         | -  | -  | (48,590,395)                      | -                             | -                                |        |
| Dividends                              | -                    | -                   | -                         | -  | -  | (4,859,041)                       | -                             | (4,859,041)                      |        |
| <b>Balances as of 31 December 2021</b> | <b>1,020,000,000</b> | <b>(28,756,004)</b> | <b>49,945,096</b>         | <b>61,003</b>  | <b>58,787,783</b>  | <b>1,821,583,883</b>              | <b>378,556,382</b>            | <b>3,300,178,143</b>             |        |

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

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

### AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

|   | Notes | Audited<br>1 January-<br>31 December<br>2021 | Audited<br>1 January-<br>31 December<br>2020 |
|---|-------|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |       |  |  |
| <b>Profit/(Loss) for the Period</b>   |       | <b>378,556,382</b>                           | <b>352,452,465</b>                           |
| <b>Adjustments to Reconcile Net Profit (Loss) for the Period</b>  |       |  |  |
| - Adjustments Related to Depreciation and Amortization Expenses   | 10-11 | 3,148,575                                    | 3,508,581                                    |
| - Adjustments Related to Provisions   | 12-13 | 1,463,254                                    | 357,987                                      |
| - Adjustments Related to Interest Income and Expenses   | 16-20 | 26,036,332                                   | (1,866,834)                                  |
| - Adjustments Related to Fair Value Losses/Gains  | 19    | (373,748,346)                                | (315,139,702)                                |
| - Adjustments Related to Loss/Gains on Disposal of Non-current Assets   |       | (2,359,873)                                  | -  |
| <b>Changes in working capital</b>   |       |  |  |
| - Adjustments Related to (Increase) / Decrease in Inventories   | 6     | (80,951,720)                                 | 49,727,612                                   |
| - Adjustments Related to (Increase) / Decrease in Trade Receivables   |       | 4,414,491                                    | 9,004,519                                    |
| - Decrease (Increase) in Prepaid Expenses   |       | 26,548,970                                   | (3,453,565)                                  |
| - Decrease (Increase) in Other Operating Assets   |       | (42,246,825)                                 | (11,743,743)                                 |
| - Adjustments Related to Increase / (Decrease) in Trade Payables  |       | 24,636,041                                   | 27,940,627                                   |
| - Adjustments Related to Increase / (Decrease) in Deferred Income (Excluding Liabilities Arising from Customer Contracts) |       | 33,812,022                                   | 47,684,990                                   |
| - Adjustments Related to Increase (Decrease) in Other Operating Liabilities   |       | 12,479,708                                   | 3,614,874                                    |
| <b>Cash Generated from Operations</b>   |       | <b>11,789,011</b>                            | <b>162,087,811</b>                           |
| Interest Received   |       | 9,595,220                                    | 5,128,303                                    |
| Other Cash Inflows / Outflows   |       | -  | (67,836)                                     |
|   |       | <b>21,384,231</b>                            | <b>167,148,278</b>                           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |       |  |  |
| Cash Inflows from Sale of Property, Plant and Equipment and Intangible Assets   | 10    | -  | 20,458                                       |
| Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets  | 10-11 | (3,680,902)                                  | (3,235,374)                                  |
| Cash Outflows from Purchase of Investment Properties  | 9-20  | (428,353,124)                                | (185,596,356)                                |
| Cash Inflows from Disposals of Investment Properties  | 9     | 29,804,873                                   | 1,419,063                                    |
|   |       | <b>(402,229,153)</b>                         | <b>(187,392,209)</b>                         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |       |  |  |
| Cash Inflows from Borrowings  |       | 2,094,585,158                                | 1,492,856,900                                |
| Cash Used for Repayment of Borrowings   |       | (1,562,189,029)                              | (1,444,985,255)                              |
| Dividends Paid  |       | (4,859,041)                                  | (4,275,958)                                  |
| Interest Paid   |       | (143,136,124)                                | (48,021,333)                                 |
|   |       | <b>384,400,964</b>                           | <b>(4,425,646)</b>                           |
| <b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>   |       | <b>3,556,042</b>                             | <b>(24,669,577)</b>                          |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>   |       | <b>49,531,522</b>                            | <b>74,201,099</b>                            |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>   | 27    | <b>53,087,564</b>                            | <b>49,531,522</b>                            |

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

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 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 ("the 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 Company 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 is TL 1,500,000,000 before 2 September 2020). The paid in capital of the Company is TL 1,020,000,000 of which TL 196,217,979 was paid in cash whereas TL 466,282,021 was paid in kind and TL 357,500,000 was incorporated from reserves internally appropriated (by bonus issue).

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

As of 31 December 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 (Registered capital ceiling is TL 2,500,000,000 as of 2 September 2020), 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 Istanbul 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 |
| 20 May 2021     | 1,020,000,000 | Bonus Issue    | 50,000,000     | Prior Years' Profit |

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 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 joint operations are as follows:

| <u>Joint operations</u>             | <u>Type of activity</u> | <u>Main activity fields</u> |
|-------------------------------------|-------------------------|-----------------------------|
| Halk Yapı Projeleri Geliştirme A.Ş. | Construction            | Real Estate Construction    |
| <u>Shares in joint operations</u>   | <u>Type of activity</u> | <u>Main activity fields</u> |
| Halk GYO-Vakıf GYO Joint Venture    | Construction            | Real Estate Construction    |
| Halk GYO-Erkonut Adi 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 9 November 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.

In addition, 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. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 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 Restatement of Previous Period Financial Statements

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

#### Basis of Consolidation

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

| Subsidiaries                        | Place of<br>incorporation<br>and operation | Functional<br>currency | The Group's shareholding<br>rate and voting power (%) |                        |
|-------------------------------------|--|------------------------|---|------------------------|
|                                     |  |                        | 31<br>December<br>2021                                | 31<br>December<br>2020 |
| 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. AND ITS SUBSIDIARIES**

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 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 arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

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

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

#### **2.2 Changes in Accounting Estimates and Errors**

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

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 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 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 *Interest Rate Benchmark Reform - Phase 2***

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

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

The Group management has evaluated that these changes do not have any impact on the consolidated financial statements of the Group.

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

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

|   |   |
|---|---|
| TFRS 17   | <i>Insurance Contracts</i>  |
| Amendments to TAS 1                             | <i>Classification of Liabilities as Current or Non-Current</i>                        |
| Amendments to TFRS 3                            | <i>Reference to the Conceptual Framework</i>  |
| Amendments to TAS 16                            | <i>Property, Plant and Equipment – Proceeds before Intended Use</i>                   |
| Amendments to TAS 37                            | <i>Onerous Contracts – Cost of Fulfilling a Contract</i>                              |
| Annual Improvements to TFRS Standards 2018-2020 | <i>Amendments to TFRS 1, TFRS 9 and TAS 41</i>  |
| Amendments to TFRS 4                            | <i>Extension of the Temporary Exemption from Applying TFRS 9</i>                      |
| Amendments to TFRS 16                           | <i>Continuing Concessions in Rent Payments Related to COVID-19 After 30 June 2021</i> |
| Amendments to TAS 1                             | <i>Disclosure of Accounting Policies</i>  |
| Amendments to TAS 8                             | <i>Definition of Accounting Estimates</i>   |
| Amendments to TAS 12                            | <i>Deferred Tax on Assets and Liabilities Arising from a Single Transaction</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 2023.



## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

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

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

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

##### 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 2023 and earlier application is permitted.

###### **Amendments to TFRS 3 *Reference to the Conceptual Framework***

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

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

###### **Amendments to TFRS 16 *Property, Plant and Equipment – Proceeds Before Intended Use***

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

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

###### **Amendments to TAS 37 *Onerous Contracts – Cost of Fulfilling a Contract***

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

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

#### **Annual Improvements to TFRS Standards 2018-2020 Cycle**

##### Amendments to TFRS 1 *First Time Adoption of Turkish Financial Reporting Standards*

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

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

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

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

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

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

**Annual Improvements to TFRS Standards 2018-2020 Cycle (cont'd)**

Amendments to TFRS 9 Financial Instruments

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

Amendments to TAS 41 Agriculture

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

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

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

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

**Amendments to TFRS 16 COVID-19 Related Rent Concessions beyond 30 September 2021**

The Public Oversight Accounting and Auditing Standards Authority ("POA"), published in June 2020, published *Continuing Concessions for COVID-19 Related Lease Payments After 30 September 2021 – Amendments to TFRS 16*, which extends the exemption for lessees to determine whether certain concessions granted due to COVID-19 on lease payments due to COVID-19 have changed by one more year.

When the change was first published, the facilitating practice only applied if any reduction in lease payments would affect payments that would normally be due on or before 30 September 2021. As lessors continue to offer rental concessions related to COVID-19 to tenants and the impact of the COVID-19 pandemic continues and is significant, POA has extended the period during which the facilitator can be used by one year.

This new change will be applied by tenants for annual accounting periods beginning on or after 1 April 2021, but early application is permitted.

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

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

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

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

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

**Amendments to TAS 1 *Disclosure of Accounting Policies***

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

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

**Amendments to TAS 8 *Definition of Accounting Estimates***

With this amendment, the definition of “a change in accounting estimates” has been replaced with the definition of “an accounting estimate”, sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and corrections of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

**Amendments to TAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

This amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 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.

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

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

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

#### 2.4 Summary of Significant Accounting Policies (cont'd)

##### Related Parties (cont'd)

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).
- (iii) 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.
- (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. Revenue is presented net of value added tax and sales taxes. 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 customer receives the control of the property, the real estate is considered as transferred.

## **HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES**

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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)**

###### *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.

###### *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.

###### *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.

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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**

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.

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.

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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)**

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.
- 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.

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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)**

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.

##### **The Group as lessor**

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

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

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

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

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

##### **Intangible Assets**

###### ***Intangible assets acquired separately***

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 separately are carried at cost less accumulated impairment losses.



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

#### 2.4 Summary of Significant Accounting Policies (cont'd)

##### Intangible Assets (cont'd)

###### 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.

##### 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 entity 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 entity 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. Group 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 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 Group, and the presentation currency for the financial statements. In preparing the financial statements of the individual entities, transactions in foreign currencies (other than TL) 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 to TL at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated to TL 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 "bonus shares" are taken into consideration in the computation of earnings per share as issued share certificates. Accordingly, the weighted average number of shares used in these calculations is calculated by taking into account the retrospective effects of the aforementioned share distributions.

##### **Events After the Reporting Period**

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

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

### **2.4 Summary of Significant Accounting Policies (cont'd)**

#### **Provisions, Contingent Assets and Liabilities**

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

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

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

#### **Investment Properties**

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

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

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

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



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

#### 2.4 Summary of Significant Accounting Policies (cont'd)

##### **Income Taxes**

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

According to the Corporate Tax Law Article 15/(3), the income of REITs is subject to 15% withholding tax irrespective of its distribution. Within the framework of Corporate Tax Law Article 15/(4), the Council of Ministers is authorized to reduce the tax deduction rates specified in Article 15 to zero for each payment and income separately, to increase it up to the corporate tax rate, and to raise funds for the earnings specified in the third paragraph within the same limits or partnership types, 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.

Also, according to the temporary Article (1) of the Corporate Tax Law, within the framework of the authority conferred by this law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 and other issues are valid up to new Decrees published by the Council of Ministers. Determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

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

##### Deferred tax

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

##### **Employee Benefits**

###### *Termination and retirement benefits:*

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

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

###### *Profit-sharing and bonus plans*

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

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

#### **2.4 Summary of Significant Accounting Policies (cont'd)**

##### **Statement of Cash Flows**

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

##### **Share Capital and Dividends**

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

#### **2.5 Segment Reporting**

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

#### **2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty**

##### Critical judgments in applying the Group's accounting policies

In the process of applying the Group'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 licenced by the CMB and who have recent experience in the location and category of the investment properties being valued. Any future changes in these estimates and assumptions may cause significant impact on the Group's financial statements.

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

##### *Borrowing costs*

In accordance with TAS 23, the Group evaluates whether borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, will be added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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**3. INTERESTS IN OTHER ENTITIES****a) Subsidiaries****Halk Yapı Projeleri Geliştirme A.Ş.**

Shareholding of the Group in its subsidiaries are as follows:

|                                     | 31 December<br>2021 | 31 December<br>2020 |
|-------------------------------------|---------------------|---------------------|
| Halk Yapı Projeleri Geliştirme A.Ş. | 100%                | 100%                |

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

|                                     | 31 December<br>2021               | 31 December<br>2020               |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Halk Yapı Projeleri Geliştirme A.Ş. |                                   |                                   |
| Current assets                      | 10,468,647                        | 2,322,810                         |
| Non-current assets                  | 15,282,269                        | 12,500,000                        |
| Current liabilities                 | (8,296,116)                       | (6,183)                           |
|                                     | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
| Profit for the period               | <u>2,705,522</u>                  | <u>557,536</u>                    |

**b) Joint Operations**

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

|   | 31 December<br>2021 | 31 December<br>2020 |
|---|---------------------|---------------------|
| Halk GYO-Vakıf GYO Joint Venture        | 50%                 | 50%                 |
| Halk GYO-Erkonut Joint Venture          | 50%                 | 50%                 |
| Halk GYO-Teknik Yapı Joint Venture      | 50%                 | 50%                 |
| <b>Halk GYO-Vakıf GYO Joint Venture</b> |                     |                     |

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 Group owns 50% of the Bizimtepe Aydos Project in İstanbul. The residences in the project will be offered for sale. The financial information of Halk GYO-Vakıf GYO is summarized in the following tables. The financial information of Halk GYO-Vakıf GYO as per the shareholding and voting rights is as follows:

|                                  | 31 December<br>2021               | 31 December<br>2020               |
|----------------------------------|-----------------------------------|-----------------------------------|
| Halk GYO-Vakıf GYO Joint Venture |                                   |                                   |
| Current assets                   | 19,177,898                        | 23,226,353                        |
| Non-current assets               | 4,969,734                         | 10,184,977                        |
| Current liabilities              | (1,027,990)                       | (1,839,047)                       |
|                                  | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
| Profit for the period            | <u>5,027,387</u>                  | <u>21,097,379</u>                 |

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**3. INTERESTS IN OTHER ENTITIES (cont'd)****b) Joint Operations (cont'd)****Halk GYO-Erkonut Joint Venture**

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

|                                | 31 December<br>2021               | 31 December<br>2020               |
|--------------------------------|-----------------------------------|-----------------------------------|
| Halk GYO-Erkonut Joint Venture |                                   |                                   |
| Current assets                 | 1,194,951                         | 4,779,860                         |
| Current liabilities            | (488,101)                         | (671,945)                         |
|                                | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
| Profit/(loss) for the period   | <u>487,666</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 Group owns 50% of the İzmir Project in İzmir. The residences in the project will be offered for sale. The financial information of Halk GYO-Teknik Yapı is summarized in the following tables. The financial information of Halk GYO-Teknik Yapı as per the shareholding and voting rights is as follows:

|                                    | 31 December<br>2021               | 31 December<br>2020               |
|------------------------------------|-----------------------------------|-----------------------------------|
| Halk GYO-Teknik Yapı Joint Venture |                                   |                                   |
| Current assets                     | 108,420,343                       | 20,615,282                        |
| Non-current assets                 | 5,101,291                         | 2,785,229                         |
| Current liabilities                | (166,931,035)                     | (69,183,767)                      |
| Non-current liabilities            | (4,897,737)                       | (9,236,746)                       |
|                                    | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
| Profit/(loss) for the period       | <u>(2,879,582)</u>                | <u>(23,237,804)</u>               |

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**4. RELATED PARTY DISCLOSURES**

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

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

|  | 31 December<br>2021  | 31 December<br>2020 |
|--|----------------------|---------------------|
| <b>Deposits at Halk Bank</b>                                   |                      |                     |
| Demand deposits  | 2,129,931            | 797,854             |
| Time deposits  | 50,976,883           | 48,750,104          |
|  | <b>53,106,814</b>    | <b>49,547,958</b>   |
| <b>Balances with related parties</b>                           |                      |                     |
| Halk Varlık Yönetimi A.Ş. lease certificate issuance (Note 23) | 747,962,082          | 335,615,485         |
| Short-term loans received from Halk Bank                       | 113,177,368          | 47,231,352          |
| Long-term loans received from Halk Bank                        | 22,928,788           | 70,861,117          |
| Halk Leasing financial lease agreement (Note 23)               | 127,871,426          | 26,391,408          |
|  | <b>1,011,939,664</b> | <b>480,099,362</b>  |

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**4. RELATED PARTY DISCLOSURES (cont'd)**

|   | 31 December 2021 |           |            |             |                  |            |           |       |
|---|------------------|-----------|------------|-------------|------------------|------------|-----------|-------|
|   | Receivables      |           | Payables   |             | Prepaid Expenses |            |           |       |
|   | Short-term       |           | Short-term |             | Long-term        |            | Long-term |       |
|   | Trade            | Non-trade | Trade      | Non-trade   | Trade            | Non-trade  | Trade     | Trade |
| <b>Balances with related parties</b>                  |                  |           |            |             |                  |            |           |       |
| <b>Shareholders</b>                                   |                  |           |            |             |                  |            |           |       |
| Halkbank A.Ş.   | 60               | -         | 10.021     | 113.177.368 | 85.000.000       | 22.928.788 | -         | -     |
| <b>Other companies controlled by main shareholder</b> |                  |           |            |             |                  |            |           |       |
| Halk Leasing Finansal Kiralama A.Ş. (*)               | -                | -         | -          | 57.063.382  | -                | 70.808.044 | 561.536   | -     |
| Halk Varlık Kiralama A.Ş.                             | -                | -         | -          | 747.962.082 | -                | -          | -         | -     |
|   | 60               | -         | 10.021     | 918.202.832 | -                | 93.736.832 | 561.536   | -     |

|   | 31 December 2020 |           |            |             |                  |            |           |       |
|---|------------------|-----------|------------|-------------|------------------|------------|-----------|-------|
|   | Receivables      |           | Payables   |             | Prepaid Expenses |            |           |       |
|   | Short-term       |           | Short-term |             | Long-term        |            | Long-term |       |
|   | Trade            | Non-trade | Trade      | Non-trade   | Trade            | Non-trade  | Trade     | Trade |
| <b>Balances with related parties</b>                  |                  |           |            |             |                  |            |           |       |
| <b>Shareholders</b>                                   |                  |           |            |             |                  |            |           |       |
| Halkbank A.Ş.   | 60               | -         | 8.742      | 47.231.352  | -                | 70.861.117 | -         | -     |
| <b>Other companies controlled by main shareholder</b> |                  |           |            |             |                  |            |           |       |
| Halk Leasing Finansal Kiralama A.Ş. (*)               | -                | -         | -          | 12.957.765  | -                | 13.433.643 | 52.208    | -     |
| Halk Varlık Kiralama A.Ş.                             | -                | -         | -          | 335.615.485 | -                | -          | -         | -     |
|   | 60               | -         | 8.742      | 395.804.602 | -                | 84.294.760 | -         | -     |

(\*) The Group signed a contract with Buga Otis Asansör Sanayi ve Ticaret A.Ş. concerning the purchase of the vertical procurement works (lift and escalator) services of Halk Office Towers, which will be built within the scope of the Istanbul International Financial Center project and for the financing of the aforementioned service purchase, the Group also signed a finance lease contract with Halk Finansal Kiralama A.Ş. Assets acquired through finance leases are recognized under investment properties and borrowing cost amounting to TL 13.360.339 has been capitalized based on the principal payment amounting to TL 93.467.624 in 2021 (31 December 2020: borrowing cost amounting to TL 18.591.391).

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**4. RELATED PARTY DISCLOSURES (cont'd)**

|   | 1 January - 31 December 2021 |                   |                             |              |                |  |
|---|------------------------------|-------------------|-----------------------------|--------------|----------------|--|
| Transactions with related parties                         | Interest income              | Interest expenses | Currency difference expense | Rent income  | Other expenses | Finance Expenses / Income Capitalized on Investment Properties (Net) |
| <b>Shareholders</b>                                       |                              |                   |                             |              |                |  |
| Halkbank A.Ş.   | (6,552,678)                  | 13,953,501        | -                           | (48,536,015) | 1,156,995      | (4,203,458)  |
| <b>Other companies controlled by the main shareholder</b> |                              |                   |                             |              |                |  |
| Halk Varlık Kiralama A.Ş.                                 | -                            | 89,729,513        | -                           | -            | -              | (89,729,513)   |
| Halk Leasing Finansal Kiralama A.Ş.                       | -                            | 2,195,574         | 47,291,928                  | -            | -              | (13,360,339)   |
|   | (6,552,678)                  | 105,878,588       | 47,291,928                  | (48,536,015) | 1,156,995      | (107,293,310)  |

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

**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-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|
| Salaries and other short-term benefits | 2,371,433                         | 2,071,198                         |
|  | <b>2,371,433</b>                  | <b>2,071,198</b>                  |

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

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

|   | 31 December<br>2021 | 31 December<br>2020 |
|---|---------------------|---------------------|
| <u>Short-term trade receivables</u>             |                     |                     |
| Trade receivables                               | 1,884,457           | 5,431,937           |
| Trade receivables from related parties (Note 4) | 60                  | 60                  |
| Income accruals                                 | 473,232             | -                   |
| Provision for doubtful receivables (-) (**)     | (73,379)            | (85,605)            |
|   | <u>2,284,370</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 December<br>2021 | 31 December<br>2020 |
|---|---------------------|---------------------|
| <u>Short-term trade receivables from<br/>sale of residences and rental properties</u> |                     |                     |
| Sale of residences  | 1,316,913           | 1,567,262           |
| <i>Bizimtepe Aydos project</i>  | <i>1,310,368</i>    | <i>1,552,864</i>    |
| <i>Erzurum Şehristan project</i>  | <i>6,545</i>        | <i>14,398</i>       |
| Rented and sold investment properties (*)   | 567,604             | 3,864,735           |
|   | <u>1,884,517</u>    | <u>5,431,997</u>    |

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

As of 31 December 2021, the total of overdue trade receivables (notes) is TL 41,982 (31 December 2020: TL 139,624).

|  | 31 December<br>2021         | 31 December<br>2020         |
|--|-----------------------------|-----------------------------|
| <u>Long-term trade receivables</u>   |                             |                             |
| Trade receivables (*)  | 252,234                     | 1,592,477                   |
| Provision for doubtful receivables (-) (*)   | (7,254)                     | (5,435)                     |
|  | <u>244,980</u>              | <u>1,587,042</u>            |
| <u>(*) Long-term trade receivables from sale of<br/>residences and rental properties</u> | <u>31 December<br/>2021</u> | <u>31 December<br/>2020</u> |
| Sale of residences   | 252,234                     | 1,592,477                   |
| <i>Bizimtepe Aydos project</i>   | <i>252,234</i>              | <i>1,592,477</i>            |
|  | <u>252,234</u>              | <u>1,592,477</u>            |

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



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**5. TRADE RECEIVABLES AND PAYABLES (cont'd)**

a) Trade Receivables (cont'd):

|   | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
|---|-----------------------------------|-----------------------------------|
| <u>Movement of allowance for doubtful receivables</u> |                                   |                                   |
| Opening balance                                       | (91,040)                          | (160,990)                         |
| Provisions reversed                                   | 10,407                            | 69,950                            |
| Closing balance                                       | <u>(80,633)</u>                   | <u>(91,040)</u>                   |

Explanations about the nature and level of risks related to trade receivables are provided in Note 24.

b) Trade Payables:

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

|  | 31 December<br>2021 | 31 December<br>2020 |
|--|---------------------|---------------------|
| <u>Short-term trade payables</u>           |                     |                     |
| Trade payables                             | 55,522,078          | 30,887,316          |
| Trade payables to related parties (Note 4) | 10,021              | 8,742               |
|  | <u>55,532,099</u>   | <u>30,896,058</u>   |
|  | 31 December<br>2021 | 31 December<br>2020 |
| <u>Long-term trade payables</u>            |                     |                     |
| Trade payables to related parties (Note 4) | 85,000,000          | -                   |
|  | <u>85,000,000</u>   | <u>-</u>            |

Explanations about the nature and level of risks related to trade payables are provided in Note 24.

**6. INVENTORIES**

|   | 31 December 2020  |                    |                     | Transfer to      | 31 December 2021   |
|---|-------------------|--------------------|---------------------|------------------|--------------------|
| Land stocks   | Cost value        | Addition           | Disposal            | fixed asset      | Cost value         |
| Referans Bakırköy Residence Project (1)                             | 96,507            | -                  | (96,507)            | -                | -                  |
| Sancaktepe - Residence Project (2)                                  | 2,245,932         | -                  | (445,695)           | (68,943)         | 1,731,294          |
| Erzurum - Şehristan Project (3)                                     | 312,601           | -                  | (312,601)           | -                | -                  |
| Izmir Project (4)   | 15,523,811        | 74,577,991         | -                   | -                | 90,101,802         |
| Kocaeli Dilovası Industry Area (5)                                  | -                 | 7,228,532          | -                   | -                | 7,228,532          |
| Sakarya Adapazarı Project (6)                                       | -                 | 85,000,000         | -                   | -                | 85,000,000         |
| <b>Total</b>  | <b>18,178,851</b> | <b>166,806,523</b> | <b>(854,803)</b>    | <b>(68,943)</b>  | <b>184,061,628</b> |
|   | 31 December 2019  |                    |                     | Transfer to      | 31 December 2020   |
| Land stocks   | Cost value        | Addition           | Disposal            | fixed asset      | Cost value         |
| Istanbul Bakırköy Land -<br>Referans Bakırköy Residence Project (1) | 314,639           | -                  | (218,132)           | -                | 96,507             |
| Eskişehir- Odunpazarı Land -<br>Panorama Plus Residence Project (2) | 2,242,080         | -                  | (2,242,080)         | -                | -                  |
| Sancaktepe - Residence Project (3)                                  | 53,255,447        | -                  | (50,632,360)        | (377,155)        | 2,245,932          |
| Erzurum - Şehristan Project (4)                                     | 4,043,415         | -                  | (3,730,814)         | -                | 312,601            |
| Izmir Project (5)   | 8,050,882         | 7,472,928          | -                   | -                | 15,523,810         |
|   | <b>67,906,463</b> | <b>7,472,928</b>   | <b>(56,823,386)</b> | <b>(377,155)</b> | <b>18,178,851</b>  |

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#### 6. INVENTORIES (cont'd)

<sup>(1)</sup> 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 Group received its first building license on 31 May 2012. There are 254 and 73 commercial units in the Referans Bakırköy project. The Group issued condominium deeds on 29 April 2015. In 2017, the Group realized sharing in-kind and while 27 independent units left to the contractor, 9 independent units remained in the Group. Within the period of 31 December 2021, 1 house sales revenue amounting to TL 808,000 and cost of sales amounting to TL 225,272 have been recorded (31 December 2020: transfer of 1 deeds, revenue in the amount of TL 357,000 and cost of sales relating to these sales amounting to TL 225,272. Cost of sales includes taxes, duties and charges). There is no restriction on the land stock. As of the period, all independent sections in the project have been sold.

<sup>(2)</sup> 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 Venture for real estate development project. The main contractor services agreement was signed at 22 October 2015 and the construction permit was granted on 6 November 2015. The Company issued property deeds on 8 February 2019. As of 31 December 2021, delivery process of 15 independent units have been completed. Total sales amounting to TL 8,628,831 and TL 5,462,045 cost of sales have been recognized. The cost of sales item includes taxes, duties and fees. In addition, 1 independent section was classified from inventories to investment properties during the period, and 3 independent sections were out of inventories. (31 December 2020: transfer of 226 independent units have been completed, sales income amounting to TL 74,097,694 and cost of sales amounting to TL 52,306,032 have been recognized. The cost of sales item includes taxes, duties and fees).

<sup>(3)</sup> 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. In the period of 31 December 2021, 1 independent section sales revenue has not been realized. Total sales amounting TL 860,000 and TL 329,801 have been recognized as cost of sales (31 December 2020: transfer of 31 independent units, TL 6,687,943 and TL 3,915,126 have been recognized as cost of sales. The cost of sales item includes taxes, duties and fees.). There is no restriction on the land stock. As of the period, all independent sections in the project have been sold.

<sup>(4)</sup> As of 24 August 2017, Halk GYO and Teknik Yapı Joint Venture 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, Parcel 3 (Formerly Island 7700, Parcel 1), 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 Block 7698, Parcel 1) were updated on 4 January 2021. As of 4 January 2021, the total number of licensed independent sections is 1,034. As of 31 December 2021, 487 preliminary sales contracts were signed for independent sections (31 December 2020: 364 independent section sales commitment agreements were signed).

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

<sup>(6)</sup> Between the Company and Haldız İnşaat Otomotiv ve Ticaret A.Ş., the group company Faver Proje Geliştirme İnşaat Sanayi ve Ticaret AŞ and the Company's Parent Bank, to which Haldız İnşaat Otomotiv ve Ticaret AŞ is indebted, "Cooperation Protocol" was signed to develop a project on the 59,314.46 m2 land immovable property in Sakarya Province, Adapazarı District, Tepekum Mah. Block 4932, parcel 1, plot no G24B24B4D. According to the agreement between the parties, 65% of the revenue to be obtained from this project belongs to Haldız İnşaat Otomotiv ve Ticaret AŞ (contractor), 30% to Haldız İnşaat Otomotiv ve Ticaret AŞ will be owed by our main shareholder, the Bank, and 5% to the Company. The Company included the land in its portfolio on 30 December 2021. In addition, within the scope of this protocol, a revenue sharing business agreement was signed on 14 January 2021 in return for land sales. The planning work of the project continues.

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

**7. PREPAID EXPENSES AND DEFERRED INCOME**

|                                    | 31 December<br>2021 | 31 December<br>2020 |
|------------------------------------|---------------------|---------------------|
| <b>Short-Term Prepaid Expenses</b> |                     |                     |
| Order advances given (*)           | -                   | 741,107             |
| Prepaid insurance expenses         | 208,499             | 390,014             |
| Other                              | 52,381              | 393,760             |
|                                    | <u>260,880</u>      | <u>1,524,881</u>    |

|                                   | 31 December<br>2021 | 31 December<br>2020 |
|-----------------------------------|---------------------|---------------------|
| <b>Long-Term Prepaid Expenses</b> |                     |                     |
| Order advances given (*)          | 83,313,184          | 108,632,994         |
| Other                             | 156,734             | 121,893             |
|                                   | <u>83,469,918</u>   | <u>108,754,887</u>  |

|                                      | 31 December<br>2021 | 31 December<br>2020 |
|--------------------------------------|---------------------|---------------------|
| <b>(*) Investment advances given</b> |                     |                     |
| Istanbul Finance Center project      | 80,656,680          | 108,627,627         |
| Izmir Evora project                  | 2,656,504           | 741,107             |
| Caddebostan project                  | -                   | 5,367               |
|                                      | <u>83,313,184</u>   | <u>109,374,101</u>  |

**8. LIABILITIES ARISING FROM CUSTOMER CONTRACTS**

|  | 31 December<br>2021 | 31 December<br>2020 |
|--|---------------------|---------------------|
| <b>Liabilities arising from customer contracts</b> |                     |                     |
| Deferred residential income (*)                    | 94,920,309          | 61,051,324          |
| Advance rents                                      | -                   | 56,963              |
|  | <u>94,920,309</u>   | <u>61,108,287</u>   |

|  | 31 December<br>2021 | 31 December<br>2020 |
|--|---------------------|---------------------|
| <b>(*) Deferred Residence Sales Income</b> |                     |                     |
| Izmir Evora project                        | 94,452,132          | 59,808,222          |
| Bizintepe Aydos project                    | 108,256             | 809,031             |
| Erzurum Şehristan project                  | 359,153             | 421,091             |
| Bakırköy project                           | 768                 | 768                 |
| Eskişehir Odunpazarı project               | -                   | 12,212              |
|  | <u>94,920,309</u>   | <u>61,051,324</u>   |

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

**9. INVESTMENT PROPERTIES****Fair value measurement of the Group's investment properties**

As of 31 December 2021, the fair value of the Company's investment properties have been determined by Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., which is an appraisal firm not related to Group. Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş is authorized by CMB and has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value of the properties owned is determined according to the sample comparison approach and cost value that reflects the current transaction prices for similar properties.

Details of the Group's investment properties and information about the fair value hierarchy as of 31 December 2021 and 31 December 2020 are as follows:

|   | Fair value as of the reporting date |          |                      |                      |
|---|-------------------------------------|----------|----------------------|----------------------|
|   | 31 December                         | Level 1  | Level 2              | Level 3              |
|   | 2021                                | TL       | TL                   | TL                   |
| Land                                    | 52,000,000                          | -        | 52,000,000           | -                    |
| Buildings                               | 1,659,667,500                       | -        | 997,667,500          | 662,000,000          |
| Investment properties under development | 2,430,590,000                       | -        | 36,500,000           | 2,394,090,000        |
|   | <u>4,142,257,500</u>                | <u>-</u> | <u>1,086,167,500</u> | <u>3,056,090,000</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 were no transfers between Level 1 and Level 2 in the current year.

As of 31 December 2021, the total amount of insurance on investment properties is TL 1,979,880,598 (31 December 2020: TL 1,639,801,010). As of 31 December 2021, the Group's the total amount of capitalized finance expenses on investment properties is TL 253,607,419 (31 December 2020: TL 146,102,832).

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (TL))

#### 9. INVESTMENT PROPERTIES (cont'd)

|   | 31 December<br>2020  |                    |                     |                     | Fau value<br>difference | 31 December          |
|---|----------------------|--------------------|---------------------|---------------------|-------------------------|----------------------|
|   | Fau value            | Addison            | Disposal            | Transfer            |                         | 2021<br>Fau value    |
| <b>Investment properties</b>                              |                      |                    |                     |                     |                         |                      |
| Istanbul Salpazarı Land                                   | 9,120,000            | -                  | -                   | -                   | 880,000                 | 10,000,000           |
| Erzurum Yakutye Land                                      | 10,350,000           | -                  | -                   | -                   | 1,650,000               | 12,000,000           |
| Istanbul Beyoğlu Land                                     | -                    | -                  | -                   | 35,000,000          | (5,000,000)             | 30,000,000           |
| Erzurum Palandöken Lands                                  | 12,600,000           | -                  | (12,600,000)        | -                   | -                       | -                    |
| Sakarya Adapazarı Land                                    | 10,000,000           | -                  | (10,000,000)        | -                   | -                       | -                    |
| <b>Total lands</b>  | <b>42,070,000</b>    | -                  | <b>(22,600,000)</b> | -                   | <b>(2,470,000)</b>      | <b>52,000,000</b>    |
| Istanbul Karaköy Building                                 | 45,000,000           | -                  | -                   | -                   | 6,000,000               | 51,000,000           |
| Istanbul Salpazarı Building                               | 100,000,000          | -                  | -                   | -                   | 17,000,000              | 117,000,000          |
| Izmir Konak Building-1                                    | 38,500,000           | -                  | -                   | -                   | 9,500,000               | 48,000,000           |
| Ankara Kızılay Building                                   | 25,000,000           | -                  | -                   | -                   | 5,000,000               | 30,000,000           |
| Istanbul Beyoğlu Building                                 | 35,000,000           | -                  | -                   | (35,000,000)        | -                       | -                    |
| Istanbul Beşiktaş Building                                | 25,750,000           | -                  | -                   | -                   | 5,250,000               | 31,000,000           |
| Istanbul Etiler Building                                  | 26,500,000           | -                  | -                   | -                   | 5,500,000               | 32,000,000           |
| Istanbul Şişli Building                                   | 22,500,000           | 604,630            | -                   | -                   | 4,895,370               | 28,000,000           |
| Izmir Konak Building-2                                    | 21,000,000           | -                  | -                   | -                   | 6,500,000               | 27,500,000           |
| Ankara Başkent Building                                   | 15,170,000           | -                  | -                   | -                   | 3,430,000               | 18,600,000           |
| Istanbul Bakırköy Building                                | 31,000,000           | -                  | -                   | -                   | 6,000,000               | 37,000,000           |
| Bursa Building  | 19,250,000           | -                  | -                   | -                   | 4,150,000               | 23,400,000           |
| Ankara Bahçeşehir Building 1                              | 13,000,000           | -                  | -                   | -                   | 2,900,000               | 15,900,000           |
| Kocaeli Building  | 16,000,000           | -                  | -                   | -                   | 3,500,000               | 19,500,000           |
| Istanbul Fatih Building                                   | 16,750,000           | -                  | -                   | -                   | 3,750,000               | 20,500,000           |
| Ankara Bahçeşehir Building-2                              | 9,400,000            | -                  | -                   | -                   | 1,850,000               | 11,250,000           |
| Istanbul Ataköy Building                                  | 16,750,000           | -                  | -                   | -                   | 3,500,000               | 20,250,000           |
| Istanbul Caddebostan Building                             | -                    | -                  | -                   | 30,678,939          | 5,821,061               | 36,500,000           |
| Istanbul Nişantaşı Building                               | 12,500,000           | -                  | -                   | -                   | 2,500,000               | 15,000,000           |
| Halkbank Finance Tower                                    | 349,655,000          | -                  | -                   | -                   | 86,845,000              | 436,500,000          |
| Levent Hotel  | 286,200,000          | 14,066,360         | -                   | -                   | 49,733,640              | 350,000,000          |
| Kocaeli Şekerpinar A Block                                | 171,000,000          | -                  | -                   | -                   | 24,000,000              | 195,000,000          |
| Kocaeli Şekerpinar Office Project                         | 103,000,000          | -                  | -                   | -                   | 12,000,000              | 115,000,000          |
| Sakarya Adapazarı Building (New Building)                 | -                    | 10,200,000         | -                   | -                   | 2,350,000               | 12,550,000           |
| 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<br>BB Market       | 1,840,000            | -                  | (1,840,000)         | -                   | -                       | -                    |
| Bizimtepe Aydos T 13 No BB Nuts Shop                      | 245,000              | -                  | -                   | -                   | 37,500                  | 282,500              |
| Bizimtepe Aydos T 16 No BB Hairdresser                    | 380,000              | -                  | -                   | -                   | 30,000                  | 410,000              |
| Bizimtepe Aydos T 26 No BB Real Estate Agency             | 327,500              | -                  | -                   | -                   | 82,500                  | 410,000              |
| Bizimtepe Aydos T 25 No BB Pharmacy                       | 327,500              | -                  | -                   | -                   | 82,500                  | 410,000              |
| Bizimtepe Aydos T 15 No BB                                | -                    | 68,943             | -                   | -                   | 193,557                 | 262,500              |
| Bizimtepe Aydos T 23-24 No BB Real Estate Agency          | 1,060,000            | -                  | -                   | -                   | 255,000                 | 1,315,000            |
| Bizimtepe Aydos T 39-40-41-42-43-44 No BB<br>Gift Shop    | 797,500              | -                  | (135,000)           | -                   | 102,500                 | 765,000              |
| Bizimtepe Aydos T 27-28 No BB Real Estate Agency          | 255,000              | -                  | (255,000)           | -                   | -                       | -                    |
| Bizimtepe Aydos T 14 No BB Real Estate Agency 16          | 245,000              | -                  | -                   | -                   | 37,500                  | 282,500              |
| Bizimtepe Aydos T 29-30-31-32 No BB Real<br>Estate Agency | 500,000              | -                  | -                   | -                   | 80,000                  | 580,000              |
| <b>Total buildings</b>                                    | <b>1,407,517,500</b> | <b>24,939,933</b>  | <b>(4,845,000)</b>  | <b>(4,321,061)</b>  | <b>272,876,128</b>      | <b>1,696,167,500</b> |
| Istanbul International Finance Center Project             | 1,780,000,000        | 510,747,782        | -                   | -                   | 103,342,218             | 2,394,090,000        |
| Istanbul Caddebostan Building Project                     | 30,440,000           | 238,939            | -                   | (30,678,939)        | -                       | -                    |
| <b>Total investment properties<br/>under development</b>  | <b>1,810,440,000</b> | <b>510,986,721</b> | -                   | <b>(30,678,939)</b> | <b>103,342,218</b>      | <b>2,394,090,000</b> |
| <b>Total</b>  | <b>3,260,027,500</b> | <b>535,926,654</b> | <b>(27,445,000)</b> | <b>(35,000,000)</b> | <b>373,748,346</b>      | <b>4,142,257,500</b> |

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

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(Amounts expressed in Turkish Lira (TL))

**9. INVESTMENT PROPERTIES (cont'd)**

|  | 31 December 2019     |                    |                    |                    | Fair value difference | 31 December 2020     |
|--|----------------------|--------------------|--------------------|--------------------|-----------------------|----------------------|
|  | Fair value           | Addition           | Transfer           | Transfer           |                       | Fair value           |
| <b>Investment properties</b>                           |                      |                    |                    |                    |                       |                      |
| Istanbul Salıpazarı Land                               | 8,200,000            | -                  | -                  | -                  | 920,000               | 9,120,000            |
| Erzurum Yakutiye Land                                  | 9,850,000            | -                  | -                  | -                  | 500,000               | 10,350,000           |
| Erzurum Palandöken Land                                | 14,350,000           | -                  | -                  | -                  | (1,750,000)           | 12,600,000           |
| Sakarya Adapazarı Building                             | -                    | -                  | -                  | 9,500,000          | 500,000               | 10,000,000           |
| <b>Total lands</b>                                     | <b>32,400,000</b>    | -                  | -                  | <b>9,500,000</b>   | <b>170,000</b>        | <b>42,070,000</b>    |
| Istanbul Karakoy Building                              | 40,000,000           | -                  | -                  | -                  | 5,000,000             | 45,000,000           |
| Istanbul Salıpazarı Building                           | 85,000,000           | -                  | -                  | -                  | 15,000,000            | 100,000,000          |
| İzmir Konak Building-1                                 | 33,900,000           | -                  | -                  | -                  | 4,600,000             | 38,500,000           |
| Ankara Kızılay Building                                | 22,400,000           | -                  | -                  | -                  | 2,600,000             | 25,000,000           |
| Istanbul Beyoğlu Building                              | 33,350,000           | 27,255             | -                  | -                  | 1,622,745             | 35,000,000           |
| Istanbul Beşiktaş Building                             | 22,750,000           | -                  | -                  | -                  | 3,000,000             | 25,750,000           |
| Istanbul Etiler Building                               | 23,700,000           | -                  | -                  | -                  | 2,800,000             | 26,500,000           |
| Istanbul Şişli Building                                | 20,000,000           | -                  | -                  | -                  | 2,500,000             | 22,500,000           |
| İzmir Konak Building-2                                 | 18,250,000           | -                  | -                  | -                  | 2,750,000             | 21,000,000           |
| Ankara Başkent Building                                | 14,000,000           | -                  | -                  | -                  | 1,170,000             | 15,170,000           |
| Istanbul Bakırköy Building                             | 27,750,000           | -                  | -                  | -                  | 3,250,000             | 31,000,000           |
| Bursa Building   | 17,250,000           | -                  | -                  | -                  | 2,000,000             | 19,250,000           |
| Ankara Bahçeşehir Building-1                           | 11,550,000           | -                  | -                  | -                  | 1,450,000             | 13,000,000           |
| Kocaeli Building                                       | 14,500,000           | -                  | -                  | -                  | 1,500,000             | 16,000,000           |
| Istanbul Fatih Building                                | 14,975,000           | -                  | -                  | -                  | 1,775,000             | 16,750,000           |
| Sakarya Adapazarı Building                             | 9,500,000            | -                  | -                  | (9,500,000)        | -                     | -                    |
| Ankara Bahçeşehir Building 2                           | 8,250,000            | -                  | -                  | -                  | 1,150,000             | 9,400,000            |
| Istanbul Ataköy Building                               | 14,750,000           | -                  | -                  | -                  | 2,000,000             | 16,750,000           |
| Istanbul Nişantaşı Building                            | 11,500,000           | -                  | -                  | -                  | 1,000,000             | 12,500,000           |
| Halkbank Finance Tower                                 | 313,200,000          | -                  | -                  | -                  | 36,455,000            | 349,655,000          |
| Park Dedeman Levent Hotel                              | 275,000,000          | -                  | -                  | -                  | 11,200,000            | 286,200,000          |
| Kocaeli Şekerpinar Block-A                             | 138,500,000          | -                  | -                  | -                  | 32,500,000            | 171,000,000          |
| Kocaeli Şekerpinar Office Project                      | 94,920,000           | 125,499            | -                  | -                  | 7,954,501             | 103,000,000          |
| Eskişehir B12 Apartment                                | 685,000              | -                  | (685,000)          | -                  | -                     | -                    |
| Eskişehir B13 Apartment                                | 710,000              | -                  | (710,000)          | -                  | -                     | -                    |
| Bizimtepe Aydos T 1-2-3 No BB Nursery                  | 2,358,000            | -                  | -                  | -                  | 257,000               | 2,615,000            |
| Bizimtepe Aydos T 17-18-19-20-21-22<br>No BB Market    | 1,666,500            | -                  | -                  | -                  | 173,500               | 1,840,000            |
| Bizimtepe Aydos T 13 No BB Nuts Shop                   | 209,500              | -                  | -                  | -                  | 35,500                | 245,000              |
| Bizimtepe Aydos T 16 No BB Hairdresser                 | 276,000              | -                  | -                  | -                  | 104,000               | 380,000              |
| Bizimtepe Aydos T 26 No BB Real Estate Agency          | 325,500              | -                  | -                  | -                  | 2,000                 | 327,500              |
| Bizimtepe Aydos T 25 No BB Pharmacy                    | 323,000              | -                  | -                  | -                  | 4,500                 | 327,500              |
| Bizimtepe Aydos T 23-24 No BB Real Estate Agency       | 1,046,500            | -                  | -                  | -                  | 13,500                | 1,060,000            |
| Bizimtepe Aydos T 39-40-41-42-43-44<br>No BB Gift Shop | 605,000              | -                  | -                  | -                  | 192,500               | 797,500              |
| Bizimtepe Aydos T 14 Nolu BB Real Estate Agency16      | -                    | 92,250             | -                  | -                  | 162,750               | 255,000              |
| Bizimtepe Aydos T 14 Nolu BB Real Estate Agency16      | -                    | 103,601            | -                  | -                  | 141,399               | 245,000              |
| Bizimtepe Aydos T 27-28 Nolu BB Real Estate Agency     | -                    | 181,305            | -                  | -                  | 318,695               | 500,000              |
| <b>Total Buildings</b>                                 | <b>1,273,200,000</b> | <b>529,910</b>     | <b>(1,395,000)</b> | <b>(9,500,000)</b> | <b>144,682,590</b>    | <b>1,407,517,500</b> |
| Istanbul Finance Center Project                        | 1,383,250,000        | 229,744,823        | -                  | -                  | 167,005,177           | 1,780,000,000        |
| Istanbul Cadedebostan Building Project                 | 27,100,000           | 82,128             | (24,063)           | -                  | 3,281,935             | 30,440,000           |
| <b>Total investment properties</b>                     |                      |                    |                    |                    |                       |                      |
| under development                                      | 1,410,350,000        | 229,826,951        | (24,063)           | -                  | 170,287,112           | 1,810,440,000        |
| <b>Total</b>   | <b>2,715,950,000</b> | <b>230,356,861</b> | <b>(1,419,063)</b> | <b>-</b>           | <b>315,139,702</b>    | <b>3,260,027,500</b> |

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**9. INVESTMENT PROPERTIES (cont'd)**

| Investment Properties       | Acquisition Date  | Acquisition Amount         | Appraisal Method           | Appraisal Date   | Appraisal Value | Carriers                       | Real Income (2021) (TL) | Real Income (2020) (TL) | Days of occupancy (2021) (TL) | Days of occupancy (2020) (TL) |
|-----------------------------|-------------------|----------------------------|----------------------------|------------------|-----------------|--------------------------------|-------------------------|-------------------------|-------------------------------|-------------------------------|
| İstanbul Sahipliği (Lot 1)  | 30 January 2018   | 3,178,543                  | Comparables, Site Approach | 29 November 2021 | 18,000,000      | -                              | -                       | -                       | 64,672                        | 62,212                        |
| İstanbul Sahipliği (Lot 2)  | 18 September 2019 | 19,847,000                 | Comparables, Site Approach | 30 November 2021 | 12,000,000      | -                              | -                       | -                       | 17,398                        | 16,721                        |
| İstanbul Sahipliği (Lot 3)  | 25 October 2018   | 12,000,000                 | Comparables, Site Approach | 13 December 2021 | 26,000,000      | -                              | -                       | -                       | -                             | 16,323                        |
| İstanbul Sahipliği (Lot 4)  | 7 September 2019  | 4,415,000                  | Comparables, Site Approach | -                | -               | -                              | -                       | -                       | 7,417                         | 19,342                        |
| İstanbul Sahipliği (Lot 5)  | 29 October 2018   | 7,548,000                  | Comparables, Site Approach | -                | -               | -                              | -                       | -                       | 68,897                        | 114,298                       |
| İstanbul Sahipliği (Lot 6)  | 25 October 2018   | 6,441,756                  | Comparables, Site Approach | 18 November 2021 | 97,544,000      | İHK, İstanbul A.Ş.             | 97,544                  | 976,265                 | 20,411                        | 19,178                        |
| İstanbul Sahipliği (Lot 7)  | 25 October 2018   | 5,644,756                  | Comparables, Site Approach | 18 November 2021 | 11,000,000      | İHK, İstanbul A.Ş.             | 421,570                 | 367,337                 | 6,121                         | 5,264                         |
| İstanbul Sahipliği (Lot 8)  | 25 October 2018   | 5,541,729                  | Revenue Discount Method    | 29 November 2021 | 18,000,000      | İHK, İstanbul A.Ş.             | 1,493,071               | 1,039,965               | 43,038                        | 28,097                        |
| İstanbul Sahipliği (Lot 9)  | 25 October 2018   | 12,475,237                 | Comparables, Site Approach | 13 December 2021 | 70,000,000      | İHK, İstanbul A.Ş.             | 1,912,979               | 1,531,861               | 69,353                        | 41,225                        |
| İstanbul Sahipliği (Lot 10) | 12 January 2012   | 126,548,795                | Comparables, Site Approach | 18 November 2021 | 436,000,000     | İHK, İstanbul A.Ş.             | 28,110,000              | 18,249,000              | 3,153,539                     | 3,153,539                     |
| İstanbul Sahipliği (Lot 11) | 25 October 2018   | 4,500,000                  | Comparables, Site Approach | 1 December 2021  | 23,000,000      | İHK, İstanbul A.Ş.             | 1,481,016               | 1,113,486               | 29,188                        | 25,982                        |
| İstanbul Sahipliği (Lot 12) | 21 January 2012   | 446,634                    | Comparables, Site Approach | -                | -               | İHK, İstanbul A.Ş.             | -                       | 3,931                   | -                             | 112                           |
| İstanbul Sahipliği (Lot 13) | 24 January 2012   | 446,634                    | Comparables, Site Approach | -                | -               | İHK, İstanbul A.Ş.             | -                       | 4,071                   | -                             | 129                           |
| İstanbul Sahipliği (Lot 14) | 25 October 2018   | 1,061,300                  | Comparables, Site Approach | 30 November 2021 | 20,250,000      | İHK, İstanbul A.Ş.             | 1,172,471               | 1,089,200               | 39,293                        | 40,117                        |
| İstanbul Sahipliği (Lot 15) | 25 October 2018   | 9,923,300                  | Comparables, Site Approach | 30 November 2021 | 37,000,000      | İHK, İstanbul A.Ş.             | 2,096,186               | 1,916,046               | 48,229                        | 28,112                        |
| İstanbul Sahipliği (Lot 16) | 27 October 2018   | 11,013,840                 | Comparables, Site Approach | 30 November 2021 | 11,000,000      | İHK, İstanbul A.Ş.             | 1,789,561               | 1,197,614               | 23,617                        | 23,617                        |
| İstanbul Sahipliği (Lot 17) | 27 October 2018   | 12,000,000                 | Comparables, Site Approach | -                | -               | İHK, İstanbul A.Ş.             | 64,809                  | 189,517                 | 64,809                        | 83,817                        |
| İstanbul Sahipliği (Lot 18) | 27 October 2018   | 11,000,000                 | Comparables, Site Approach | 30 November 2021 | 32,000,000      | İHK, İstanbul A.Ş.             | 1,291,139               | 1,376,578               | 41,225                        | 33,763                        |
| İstanbul Sahipliği (Lot 19) | 6 May 2008        | 4,500,000                  | Comparables, Site Approach | 30 November 2021 | 20,000,000      | İHK, İstanbul A.Ş.             | 91,680                  | 679,294                 | 36,415                        | 36,415                        |
| İstanbul Sahipliği (Lot 20) | 21 June 2018      | 21,000,000                 | Comparables, Site Approach | 30 November 2021 | 51,000,000      | İHK, İstanbul A.Ş.             | 61,487                  | 48,401                  | 17,100                        | 19,021                        |
| İstanbul Sahipliği (Lot 21) | 25 October 2018   | 11,000,000                 | Comparables, Site Approach | 30 November 2021 | 137,000,000     | İHK, İstanbul A.Ş.             | 4,964,577               | 4,111,400               | 100,172                       | 100,172                       |
| İstanbul Sahipliği (Lot 22) | 25 October 2018   | 44,410,906                 | Revenue Discount Method    | 18 December 2021 | 28,000,000      | İHK, İstanbul A.Ş.             | 1,518,841               | 1,366,032               | 65,092                        | 62,399                        |
| İstanbul Sahipliği (Lot 23) | 11 November 2021  | 11,000,000                 | Comparables, Site Approach | 1 December 2021  | 28,000,000      | İHK, İstanbul A.Ş.             | 981,647                 | 1,820,386               | 68,463                        | 68,463                        |
| İstanbul Sahipliği (Lot 24) | 18 July 2018      | 18,290,000                 | Comparables, Site Approach | 2 December 2021  | 27,000,000      | İHK, İstanbul A.Ş.             | 798,960                 | 1,049,621               | 119,174                       | 119,174                       |
| İstanbul Sahipliği (Lot 25) | 25 October 2018   | 4,519,191                  | Comparables, Site Approach | 29 November 2021 | 15,000,000      | İHK, İstanbul A.Ş.             | 1,244,100               | 1,216,211               | 10,842                        | 12,151                        |
| İstanbul Sahipliği (Lot 26) | 28 October 2018   | 67,869,441                 | Revenue Discount Method    | 21 December 2021 | 395,000,000     | İHK, İstanbul A.Ş.             | 9,766,138               | 8,617,127               | 133,066                       | 126,483                       |
| İstanbul Sahipliği (Lot 27) | 11 September 2012 | 91,106,481                 | Cost Method                | 21 December 2021 | 158,000,000     | İHK, İstanbul A.Ş.             | 1,275,970               | 936,879                 | 635,379                       | 488,979                       |
| İstanbul Sahipliği (Lot 28) | 1 November 2019   | 11,000,000                 | Cost Method                | 3 December 2021  | 158,000,000     | İHK, İstanbul A.Ş.             | 428,097                 | -                       | 18,272                        | 18,995                        |
| İstanbul Sahipliği (Lot 29) | 3 November 2021   | 18,200,000                 | Comparables, Site Approach | 1 December 2021  | 36,000,000      | İHK, İstanbul A.Ş.             | 33,639                  | -                       | 33,639                        | -                             |
| İstanbul Sahipliği (Lot 30) | 1,062,350         | Comparables, Site Approach | -                          | -                | -               | Yatırım Yönetim Kurumları A.Ş. | 204,970                 | 142,315                 | 6,036                         | -                             |
| İstanbul Sahipliği (Lot 31) | 799,531           | Comparables, Site Approach | -                          | -                | 282,500         | İHK, İstanbul A.Ş.             | 181,375                 | 156,131                 | 1,661                         | -                             |
| İstanbul Sahipliği (Lot 32) | 101,001           | Comparables, Site Approach | 18 November 2021           | 282,500          | -               | İHK, İstanbul A.Ş.             | 7,106                   | 11,409                  | 412                           | -                             |
| İstanbul Sahipliği (Lot 33) | 106,997           | Comparables, Site Approach | 18 November 2021           | 418,000          | -               | İHK, İstanbul A.Ş.             | 318                     | 11,218                  | 563                           | -                             |
| İstanbul Sahipliği (Lot 34) | 115,629           | Comparables, Site Approach | 18 November 2021           | 418,000          | -               | İHK, İstanbul A.Ş.             | 17,000                  | 11,700                  | 529                           | -                             |
| İstanbul Sahipliği (Lot 35) | 114,609           | Comparables, Site Approach | 18 November 2021           | 418,000          | -               | İHK, İstanbul A.Ş.             | 10,000                  | 17,992                  | 529                           | -                             |
| İstanbul Sahipliği (Lot 36) | 121,178           | Comparables, Site Approach | 18 November 2021           | 1,115,000        | -               | İHK, İstanbul A.Ş.             | 52,066                  | 51,181                  | 1,482                         | -                             |
| İstanbul Sahipliği (Lot 37) | 293,565           | Comparables, Site Approach | 18 November 2021           | 795,000          | -               | İHK, İstanbul A.Ş.             | 18,100                  | 27,000                  | 1,113                         | -                             |
| İstanbul Sahipliği (Lot 38) | 432,560           | Comparables, Site Approach | 18 November 2021           | 792,500          | -               | İHK, İstanbul A.Ş.             | 750                     | 4,000                   | 113                           | -                             |
| İstanbul Sahipliği (Lot 39) | 105,043           | Comparables, Site Approach | 18 November 2021           | 148,000          | -               | İHK, İstanbul A.Ş.             | 11,170                  | 9,000                   | 120                           | -                             |
| İstanbul Sahipliği (Lot 40) | 141,066           | Comparables, Site Approach | 18 November 2021           | 262,500          | -               | İHK, İstanbul A.Ş.             | 265                     | 9,000                   | 261                           | -                             |
| İstanbul Sahipliği (Lot 41) | 603,092,493       | Cost Method                | 21 December 2021           | 1,696,167,500    | -               | İHK, İstanbul A.Ş.             | 56,616,618              | 61,952,400              | 4,198,812                     | 5,318,081                     |
| İstanbul Sahipliği (Lot 42) | 259,846,528       | Cost Method                | 21 December 2021           | 2,194,000,000    | -               | İHK, İstanbul A.Ş.             | -                       | -                       | -                             | -                             |
| İstanbul Sahipliği (Lot 43) | 799,531,536       | Cost Method                | 21 December 2021           | 3,394,000,000    | -               | İHK, İstanbul A.Ş.             | 58,616,618              | 61,952,400              | 4,217,699                     | 5,332,479                     |
| <b>Total</b>                |                   |                            |                            |                  | 41,342,357,500  |                                | 58,616,618              | 61,952,400              | 4,217,699                     | 5,332,479                     |

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**9. 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 Lands were transferred to Er Konut İnş. Taah. İnşaat Mlz. Nakliye ve Mad. Tic. San. A.Ş. firm on 28 May 2021.
- 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. In response to the inclusion of the related land "Sakarya Adapazarı Building-2" in the portfolio, it was transferred to Adapazarı Belediyesi on 15 January 2021 in clearing procedure.
- 4- Ankara Bahçelievler Building 2 has been leased to İpekyol Giyim San. Paz. ve Tic. A.Ş. as of 1 April 2019.
- 5- Due to the building reinforcement work in İstanbul Beşiktaş Building, no lease income could be generated between 7 June 2020 – 11 October 2020.
- 6- Lease contract with T Halk Bankası AŞ of İstanbul Beşiktaş Building terminated as of 15 February 2020. A new lease contract was signed with Taksim Yatırım Gayrimenkul AŞ as at 22 October 2020. The building was demolished to be reconstructed and was classified as land in the building plots group on 2 December 2021. Lease income will start to be generated after 20 months following the acquisition of the required permissions for building reinforcement.
- 7- İstanbul Karaköy Building lease contract was expired on 23 October 2017. On 31 December 2021, building signed a lease agreement with Halk Bankası A.Ş.
- 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 Kocacı Şekerpanar Blok B Building. There are no tenants in the building.
- 10- Buzımtepe Aydos T Blok Independent Sections Numbered 01,02,03 (Nursery) were leased to Yakın Ufuklar Eğitim Kurumları A.Ş. on 10 April 2019, then related independent sections were sold on 30 December 2021.
- 11- Buzımtepe 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. Related independent sections were sold on 29 September 2021.
- 12- The lease agreement made with the real person tenant of Buzımtepe Aydos Trade Block Independent Section Numbered 13 (Coffeur) has expired on 30 April 2021; on 15 September 2021, new lease agreement has been signed with Nefes Global İnş. Dan. Hizmet San. Tic. Ltd. Şti. As of 15 October 2021, rental income has started to be obtained.
- 13- The lease agreement made with the real person tenant of Buzımtepe Aydos Trade Block Independent Section Numbered 16 (nuts store) has expired on 31 August 2021; on 1 September 2021, new lease agreement has been signed with Demirbey İnşaat Tic. Ltd. Şti.
- 14- The lease agreement made with Akadji Grup Gayrimenkul İnş. San. ve Dış Tic. Ltd. Şti. of Buzımtepe Aydos Trade Block Independent Section Numbered 26 (Real estate agency) has expired on 28 February 2021. The vacant independent section has been leased to a Real Person as of 1 May 2021.
- 15- Buzımtepe Aydos Trade Block Independent Section Numbered 25 (Pharmacy) was leased to a real person on 1 October 2019.
- 16- The lease agreement made with Arge Emlak ve Emlak Yönetimi A.Ş. of Buzımtepe Aydos Trade Block Independent Section Numbered 23,24 (Real estate agency) has expired on 30 November 2021. New lease agreement has been signed on the same date with Migros Ticaret A.Ş. for the vacant independent sections.
- 17- The lease agreement made with Meggalemi Hediye Sanayi A.Ş. of Buzımtepe Aydos Trade Block Independent Section Numbered 39,40,41,42,43,44 (Souvenir shop) has expired on 12 March 2021. New lease agreement has been signed for the vacant Independent Section Numbered 39,40,41,42,43,44 on 1 October 2021. Independent section 39 was sold on 20 December 2021. There are no tenants in the independent sections 40 and 41.
- 18- The lease agreement made with Arge Emlak ve Emlak Yönetimi A.Ş. of Buzımtepe Aydos Trade Block Independent Section Numbered 27,28 (Souvenir shop) has expired on 31 January 2021. Related independent sections were sold on 10 December 2021 and 20 December 2021.
- 19- The lease agreement made with Habitat Gayrimenkul İnş. Eml. Eğit. Danış. ve Paz. Tic. AŞ of Buzımtepe Aydos Trade Block Independent Section Numbered 14 (Realtor) has expired on 31 January 2021 and independent sections have been leased to Real Person as of 1 February 2021.
- 20- The lease agreement made with Arge Emlak ve Emlak Yönetimi A.Ş. of Buzımtepe Aydos Trade Block Independent Section Numbered 29,30,31,32 (Realtor) has expired on 31 January 2021. There are no tenants in the independent sections.
- 21- The lease agreement made with Dedeman Turizm Yönetimi A.Ş. for Levent Hotel Building has expired on 31 January 2020 and new lease agreement, so as to be effective in 2021, has been signed with Caba İnşaat Enerji Tur. San. ve Tic. A.Ş. The renovation process of the building ended on 1 October 2021 and rental income started to be obtained from this date.
- 22- The tenant, Akadji Grup Gayrimenkul İnş. San. ve Dış Tic. Ltd. Şti. changed its title and began to use title of Arge Emlak ve Emlak Yönetimi A.Ş.
- 23- Buzımtepe Aydos Ticaret Blok Ticaret Blok No. 15 Independent Sections were leased to Demirbey İnşaat Tic. Ltd. Şti. on 1 September 2021.
- 24- Following the completion of the Caddeböstan Urban Transformation Project and the receipt of the condominium title deeds of the building on 8 July 2021, the related project has been classified as a building as of this date. There are no tenants in the building.

**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, Mopaş Marketçilik, Demirbey İnş., Yağmuroğlu Plastik, Migros and 3 real persons. As of 31 December 2021 and 31 December 2020, annual minimum lease amounts concerning the remaining lease terms are as follows:

| Operating leases           | 31 December<br>2021 | 31 December<br>2020 |
|----------------------------|---------------------|---------------------|
| Less than one year         | 69,865,544          | 52,366,961          |
| Between one and five years | 227,943,482         | 205,959,191         |
| More than five years       | 242,228,386         | 241,762,696         |
|                            | <u>540,037,412</u>  | <u>500,088,848</u>  |



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**10. PROPERTY, PLANT AND EQUIPMENT**

| <b>Cost Value</b>                         | <b>Furniture and<br/>fixture</b> | <b>Leashold<br/>improvements</b> | <b>Right-of use<br/>assets (*)</b> | <b>Total</b>       |
|---|----------------------------------|----------------------------------|------------------------------------|--------------------|
| Opening balance as of 1 January 2021      | 2,536,371                        | 5,724,534                        | 2,531,968                          | 10,792,873         |
| Additions                                 | 1,855,114                        | -                                | 1,313,727                          | 3,168,841          |
| Disposals                                 | (32,355)                         | -                                | (203,305)                          | (235,660)          |
| Closing balance as of 31 December 2021    | <u>4,359,130</u>                 | <u>5,724,534</u>                 | <u>3,642,390</u>                   | <u>13,726,054</u>  |
| <b>Accumulated Depreciation</b>           |                                  |                                  |                                    |                    |
| Opening balance as of 1 January 2021      | (1,553,436)                      | (3,616,020)                      | (1,537,195)                        | (6,706,651)        |
| Charge for the period                     | (453,868)                        | (1,607,186)                      | (1,012,184)                        | (3,073,238)        |
| Disposals                                 | 32,355                           | -                                | 203,305                            | 235,660            |
| Closing balance as of 31 December 2021    | <u>(1,974,949)</u>               | <u>(5,223,206)</u>               | <u>(2,346,074)</u>                 | <u>(9,544,229)</u> |
| Net carrying value as of 31 December 2021 | <u>2,384,181</u>                 | <u>501,328</u>                   | <u>1,296,316</u>                   | <u>4,181,825</u>   |
| <b>Cost Value</b>                         |                                  |                                  |                                    |                    |
|   | <b>Furniture and<br/>fixture</b> | <b>Leashold<br/>improvements</b> | <b>Right-of use<br/>assets (*)</b> | <b>Total</b>       |
| Opening balance as of 1 January 2020      | 2,010,704                        | 3,678,796                        | 2,017,401                          | 7,706,901          |
| Additions                                 | 577,830                          | 2,045,738                        | 514,567                            | 3,138,135          |
| Disposals                                 | (52,163)                         | -                                | -                                  | (52,163)           |
| Closing balance as of 31 December 2020    | <u>2,536,371</u>                 | <u>5,724,534</u>                 | <u>2,531,968</u>                   | <u>10,792,873</u>  |
| <b>Accumulated Depreciation</b>           |                                  |                                  |                                    |                    |
| Opening balance as of 1 January 2020      | (1,287,940)                      | (1,330,177)                      | (664,185)                          | (3,282,302)        |
| Charge for the period                     | (297,201)                        | (2,285,843)                      | (873,010)                          | (3,456,054)        |
| Disposals                                 | 31,705                           | -                                | -                                  | 31,705             |
| Closing balance as of 31 December 2020    | <u>(1,553,436)</u>               | <u>(3,616,020)</u>               | <u>(1,537,195)</u>                 | <u>(6,706,651)</u> |
| Net carrying value as of 31 December 2020 | <u>982,935</u>                   | <u>2,108,514</u>                 | <u>994,773</u>                     | <u>4,086,222</u>   |

(\*) 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:

|                       | <b>Useful Life</b> |
|-----------------------|--------------------|
| Furniture and fixture | 5 years            |
| Leashold improvements | 3 years            |
| Right-of use assets   | 3 years            |

Depreciation expenses of TL 1,132,379 (31 December 2020: TL 2,251,350) have been charged in marketing expenses and TL 1,940,859 (31 December 2020: TL 1,257,231) have been charged in general administrative expenses.

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**11. INTANGIBLE ASSETS**

| <u>Cost Value</u>                         | <u>Other Intangible Assets</u> |
|---|--------------------------------|
| Opening balance as of 1 January 2021      | 1,120,963                      |
| Additions                                 | 512,061                        |
| Closing balance as of 31 December 2021    | <u>1,633,024</u>               |
| <u>Accumulated Amortization</u>           |                                |
| Opening balance as of 1 January 2021      | (770,292)                      |
| Charge for the period                     | (75,337)                       |
| Closing balance as of 31 December 2021    | <u>(845,629)</u>               |
| Net carrying value as of 31 December 2021 | <u>787,395</u>                 |
| <u>Cost Value</u>                         | <u>Other Intangible Assets</u> |
| Opening balance as of 1 January 2020      | 1,024,149                      |
| Additions                                 | 97,240                         |
| Closing balance as of 31 December 2020    | <u>1,121,389</u>               |
| <u>Accumulated Amortization</u>           |                                |
| Opening balance as of 1 January 2020      | (718,191)                      |
| Charge for the period                     | (52,527)                       |
| Closing balance as of 31 December 2020    | <u>(770,718)</u>               |
| Net carrying value as of 31 December 2020 | <u>350,671</u>                 |

Amortization expenses of TL 75,337 (31 December 2020: TL 52,527) have been charged in general administrative expenses.

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

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

**12. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES****a) Provisions**

As of 31 December 2021 and 31 December 2020, the Group has no provision for lawsuits.

|                                  | <u>Provision for legal claims</u> |
|----------------------------------|-----------------------------------|
| Balance as of 1 January 2021     | -                                 |
| Provision reversed               | -                                 |
| Balance as of 31 December 2021   | <u>-</u>                          |
|                                  | <u>Provision for legal claims</u> |
| Balance as of 1 January 2020     | 2,036                             |
| Additional provisions recognized | (2,036)                           |
| Balance as of 31 December 2020   | <u>-</u>                          |

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

##### b) Collateral, Pledge and Mortgages

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 ("PDP"), 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, 3 enforcement court cases and 3 enforcement proceedings on behalf of its own legal entity that is opened by the Group and it also has 12 lawsuits against the Group comprised of 3 consumer cases, 1 negative declaratory action, 4 cases in civil law suit, 1 case in civil court of first instance and 1 labor lawsuit, and 1 annulment suit in administrative court and 1 case in enforcement court. There are 2 cases which has resulted in favor of the Group. 1 of these cases is a civil law suit, and 1 of them is in execution proceeding. Upon the evaluation of the lawyers, no provision was made for the related lawsuits.

Halk GYO-Vakıf GYO Joint Venture has 2 cases in enforcement court and 1 case in enforcement law court which is ongoing, and it also has 28 consumer cases, 2 case proceeding in enforcement court against Halk GYO-Vakıf GYO joint venture. In addition, there are 2 case in enforcement court, 2 cases in civil law suit and 4 execution files which are 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 3 consumer cases, 1 case in enforcement court and 1 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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**12. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)**

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

|  | 31 December 2021   | 31 December 2020   |
|--|--------------------|--------------------|
| A. CPMs Given for Company's Own Legal Personality  | 344,570,109        | 395,808,339        |
| -Collateral  | 194,570,109        | 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                   | 237,067,888        | 162,181,423        |
| -Collateral  | 237,067,888        | 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  | -                  | -                  |
| <b>Total</b>   | <b>581,637,997</b> | <b>557,989,762</b> |

| A CPMs Given for Company's Own Legal Personality | Project                 | CPM Type            | 31 December 2021   | 31 December 2020   |
|--|-------------------------|---------------------|--------------------|--------------------|
| İller Bankası A.Ş.                               | İstanbul Finance Center | Letter of Guarantee | 192,907,862        | 244,899,015        |
| Halk Bankası A.Ş.                                | Halkbank Finance Tower  | Mortgage            | 150,000,000        | 150,000,000        |
| T.C. İstanbul Büyükşehir Belediyesi              | Levent Hotel            | Letter of Guarantee | 1,397,158          | 769,436            |
| T.C. İstanbul 27. İcra Dairesi                   | Halk GYO                | Letter of Guarantee | 163,266            | -                  |
| T.C. İstanbul 23. İcra Dairesi                   | Halk GYO                | Letter of Guarantee | 61,076             | -                  |
| T.C. İzmir 28. İcra Dairesi                      | İzmir project           | Letter of Guarantee | 40,747             | -                  |
| 1 No'lu Eskişehir İcra Müdürlüğü                 | Eskişehir project       | Letter of Guarantee | -                  | 126,448            |
| Sakarya Elektrik Perakende Satış A.Ş.            | Kocaeli project         | Letter of Guarantee | -                  | 13,440             |
|  |                         |                     | <b>344,570,109</b> | <b>395,808,339</b> |

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

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

|  | 31 December 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 Venture (*)   | -                   | 1,640,760            | 662,565,000        | 331,282,500             | 1,115,445             | 557,723                 |
| Halk GYO-Er Konut Joint Venture (**)   | -                   | 1,637,983            | 180,000,000        | 90,000,000              | 1,167,900             | 583,950                 |
| Teknik Yapı-Halk GYO Joint Venture (***)   | 107,852,431         | 364,000,000          | -                  | -                       | -                     | 235,926,216             |
| <b>Total</b>   | <b>107,852,431</b>  | <b>367,278,743</b>   | <b>842,565,000</b> | <b>421,282,500</b>      | <b>2,283,345</b>      | <b>237,067,889</b>      |

(\*) 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 Bizimtopçe 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 Şehirstan 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 107,852,431 and the letter of conveyance to T Halk Bankası A.Ş amounting to TL 364,000,000 as at 31 December 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 Venture (*)   | -                   | 3,548,671            | 662,565,000        | 331,282,500             | 2,868,539             | 1,774,336               |
| Halk GYO-Er Konut Joint Venture (**)   | -                   | 2,562,175            | 180,000,000        | 90,000,000              | 1,782,544             | 1,281,088               |
| Teknik Yapı-Halk GYO Joint Venture (***)   | 118,252,000         | 200,000,000          | -                  | -                       | -                     | 159,126,000             |
| <b>Total</b>   | <b>118,252,000</b>  | <b>206,110,846</b>   | <b>842,565,000</b> | <b>421,282,500</b>      | <b>4,651,083</b>      | <b>162,181,424</b>      |

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

|  | 31 December 2021 |             | 31 December 2020 |             |
|--|------------------|-------------|------------------|-------------|
| A. CPMs Given for Company's Own Legal Personality                                    | Equity Rate      | Equity Rate | Equity Rate      | Equity Rate |
| C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties |                  |             |                  |             |
| Halk GYO-Vakıf GYO Joint Venture (*)   |                  | 0.02%       | 1,774,336        | 0.06%       |
| Halk GYO-Er Konut Joint Venture (**)   |                  | 0.02%       | 1,281,088        | 0.04%       |
| Teknik Yapı-Halk GYO Joint Venture (***)   |                  | 7.15%       | 159,126,000      | 5.44%       |
|  |                  |             | 344,570,109      | 13.53%      |

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

As of 31 December 2021 and 31 December 2020, the Group's guarantee letters and notes received are as follows:

| Collateral, Pledge and Mortgage Received  | Project                          | CPM Type            | 31 December<br>2021 | 31 December<br>2020 |
|---|----------------------------------|---------------------|---------------------|---------------------|
| YDA İnşaat San. ve Tic. A.Ş.  | Istanbul Finance Center          | Letter of guarantee | 112,292,900         | 131,362,964         |
| Buga Otis Asansör San. ve Tic. A.Ş.   | Istanbul Finance Center          | Letter of guarantee | 59,566,104          | 58,885,780          |
| Caba İnşaat Enerji<br>Turizm San. ve Tic. A.Ş.  | Levent Hotel (lessee)            | Letter of guarantee | 14,160,000          | -                   |
| Sapaz Otelcilik Turizm İnşaat<br>Sanayi Ve Ticaret A.Ş.   | Istanbul Sahpazarı (lessee)      | Letter of guarantee | 10,233,361          | 10,233,361          |
| Barankaya Zemin Müh. İnş. Taah<br>Nakl. San. Ve Tic. A.Ş.   | İzmir Evora                      | Guarantee note      | 9,472,509           | -                   |
| Taksim Yatırım Gayrimenkul A.Ş.   | Beyoğlu Lease Contract           | Letter of guarantee | 5,594,720           | 594,720             |
| Barankaya Zemin Müh. İnş. Taah<br>Nakl. San. Ve Tic. A.Ş.   | İzmir Evora                      | Letter of guarantee | 3,258,789           | -                   |
| Er Konut İnş. Taah. İnşaat Malz.<br>Nak. ve Mad. Tic. A.Ş.  | Erzurum Şehristan                | Letter of guarantee | -                   | 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           |
| Haldiz İnşaat Otomotiv ve Tic. Ltd. Şti<br>Entegre Proje Yönetim<br>Dan. Müh. Tic. A.Ş.                 | Bizantepe Aydos                  | Letter of guarantee | 1,550,463           | 1,550,463           |
| Teknik Yapı Proje A.Ş.  | Istanbul Finance Center          | Letter of guarantee | 1,326,617           | 1,326,617           |
| Aslanoğlu Altyapı ve Üst Yapı A.Ş.  | İzmir Evora                      | Guarantee note      | 746,045             | 746,045             |
| Kaf ve İzmir Zemin A.Ş. Adi Ortaklığı<br>İpekyol Giyim Sanayi<br>Pazarlama ve Ticaret A.Ş.              | İzmir Evora                      | Guarantee note      | 733,900             | 733,900             |
| Sigma Mühendislik Hizmetleri İnş. Ltd. Şti  | Ankara Bahçelievler (lessee)     | Letter of guarantee | 714,365             | 714,365             |
| Aktuna Aşya San. ve Tic. Ltd. Şti   | Kocaeli Dilovası Industry Area   | Letter of guarantee | 350,000             | 350,000             |
| Ceda Akaryakıt İnşaat Emlak<br>Tur. Tic. Ltd. Şti   | İzmir Evora                      | Guarantee note      | 339,010             | -                   |
| Duru Peyzaj Günceli Özül<br>Manevra Otomotiv Petrol Taram<br>Tur. Gıda İnş. Taah. San. ve Tic. Ltd. Şti | Ankara Bahçelievler (lessee)     | Letter of guarantee | 207,638             | 207,638             |
| Bilkay İnsan Kay. Eğit. Dan. Ltd. Şti   | İzmir Evora                      | Guarantee note      | 200,000             | 200,000             |
| Aydoğan Dış Ticaret Anonim Şirketi  | İzmir Evora                      | Guarantee note      | 191,875             | -                   |
| Aktif Taah. İnş. Elek. Nak.<br>Turz. San. Tic. Ltd. Şti   | Central Support Service Contract | Letter of guarantee | 139,725             | -                   |
| Özbüker Hafriyat İnş. Tur.<br>San. ve Tic. Ltd. Şti   | Car rental                       | Letter of guarantee | 70,000              | -                   |
| Tan Oto Motorlu Araçlar<br>Taşınacak ve İnş. Tic. Ltd. Şti  | İzmir Evora                      | Guarantee note      | 73,635              | -                   |
| Zeha Mekanik Tes. Müh. Hav. Sis.<br>İnş. Taah. San. Ve Tic. Ltd. Şti                                    | İzmir Evora                      | Letter of guarantee | 42,435              | -                   |
| Serhan Mühendislik<br>İsmail Serhan Kocabaş   | İzmir Evora                      | Letter of guarantee | 35,286              | -                   |
| Aktif Taah. İnş. Elek. Nak.<br>Turz. San. Tic. Ltd. Şti   | Car rental                       | Letter of guarantee | 33,239              | -                   |
| CNV Yapı Mimarlık San. Tic. Ltd. Şti  | İzmir Evora                      | Letter of guarantee | 20,493              | -                   |
| Other   | İzmir Evora                      | Guarantee note      | 20,493              | -                   |
|   |                                  |                     | 12,300              | -                   |
|   |                                  |                     | -                   | 124,775             |
|   |                                  |                     | 392,204             | 460,521             |
|   |                                  |                     | <u>226,641,601</u>  | <u>235,523,722</u>  |

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

|                          | 31 December<br>2021 | 31 December<br>2020 |
|--------------------------|---------------------|---------------------|
| Employee bonus accruals  | 1,404,213           | 1,030,090           |
| Unused vacation accruals | 1,395,173           | 778,539             |
|                          | <u>2,799,386</u>    | <u>1,808,629</u>    |

**Long-term provisions for employee benefits**

|                          | 31 December<br>2021 | 31 December<br>2020 |
|--------------------------|---------------------|---------------------|
| Retirement pay provision | 1,292,061           | 817,067             |
|                          | <u>1,292,061</u>    | <u>817,067</u>      |

**Provision for employee termination benefits:**

The movements of provision for employee termination benefits in the accounting periods for the years ended with 31 December 2021 and 31 December 2020, are as follows:

|                             | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
|-----------------------------|-----------------------------------|-----------------------------------|
| Provision as of 31 December | 817,067                           | 740,620                           |
| Service cost                | 448,918                           | 20,527                            |
| Interest cost               | 33,986                            | 31,233                            |
| Retirement pay paid         | -                                 | (67,836)                          |
| Actuarial loss/gain         | (7,910)                           | 92,523                            |
| Provision as of 31 December | <u>1,292,061</u>                  | <u>817,067</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 8,284.51 for each period of service as of 31 December 2021 (31 December 2020: TL: 7,117.17).

Severance pay liability is not legally subject to any funding. The provision for employment termination benefits is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the 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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#### 13. EMPLOYEE BENEFITS (cont'd)

##### Provision for employee termination benefits (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 December 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 3.87% real discount rate (31 December 2020: 3.85%) calculated by using 15.02% annual inflation rate and 19.47% interest rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 5.74% for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling amount of TL 10,848.59 which is in effect since 1 January 2022 is used in the calculation of 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 134,727 / TL (159,204). 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 (40,293) / TL 44,425.

#### 14. OTHER ASSETS AND LIABILITIES

|                                       | 31 December<br>2021 | 31 December<br>2020 |
|---------------------------------------|---------------------|---------------------|
| <u>Other current assets</u>           |                     |                     |
| Deferred value added tax ("VAT") (*)  | 37,196,410          | 29,734,324          |
| Deposits and guarantees given         | 112,732             | 76,143              |
| Business advances given               | 6,256               | 15,938              |
| Other                                 | 5,428,053           | 894,381             |
|                                       | <u>42,743,451</u>   | <u>30,720,786</u>   |
|                                       |                     |                     |
|                                       | 31 December<br>2021 | 31 December<br>2020 |
| <u>Other non-current assets</u>       |                     |                     |
| Deferred value added tax ("VAT") (**) | 64,085,748          | 33,748,888          |
|                                       | <u>64,085,748</u>   | <u>33,748,888</u>   |

(\*\*) As of 31 December 2021, the VAT balance of Halk GYO amounting to TL 64,085,748 is recognized under other non-current assets since collection is expected in long-term (31 December 2020: TL 33,748,888).



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**14. OTHER ASSETS AND LIABILITIES (cont'd)**

|                                     | 31 December<br>2021 | 31 December<br>2020 |
|-------------------------------------|---------------------|---------------------|
| <u>Other Current Liabilities</u>    |                     |                     |
| Deposits and guarantees received(*) | 19,767,376          | 10,870,101          |
| Taxes and funds payable             | 4,699,812           | 1,005,627           |
| Other current liabilities           | 418,731             | 514,663             |
|                                     | <u>24,885,919</u>   | <u>12,390,391</u>   |

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

**15. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS****a) Share Capital**

As of 31 December 2021 and 31 December 2020, the share capital of the Group is as follows:

| Shareholders                      | Group | %     | 31 December<br>2021  |       | 31 December<br>2020 |   |
|-----------------------------------|-------|-------|----------------------|-------|---------------------|---|
|                                   |       |       |                      | %     |                     | % |
| Halkbank                          | A     | 1.58  | 16,116,736           | 1.58  | 15,326,700          |   |
| Halkbank(*)                       | B     | 70.38 | 717,898,620          | 70.38 | 682,707,471         |   |
| Halk Yatırım Menkul Değerler A.Ş. | A     | 0.4   | 384,905              | 0.4   | 366,038             |   |
| Halk Finansal Kiralama AŞ         | A     | <0.01 | 2                    | <0.01 | 1                   |   |
| Publicly traded                   | B     | 28.00 | 285,599,737          | 28.00 | 271,599,790         |   |
| Nominal capital                   |       | 100   | 1,020,000,000        | 100   | 970,000,000         |   |
| Total capital                     |       |       | <u>1,020,000,000</u> |       | <u>970,000,000</u>  |   |

(\*) Türkiye Halk Bankası A Ş has 75,116,568.89, and Halk GYO A Ş has 28,756,004.307 nominal shares in the publicly traded held group as of 31 December 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 1,020,000,000 shares amounting to TL 1,020,000,000. All capital has been committed by the founders and TL 196,217,979 paid in cash, TL 357,500,000 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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#### 15. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

##### a) Share Capital (cont'd)

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

As of 5 June 2014, the Company increased its share capital by TL 24,261,296 from 2013's 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.

As of 20 May 2021, the Company increased its share capital to TL 1,020,000,000 by transferring TL 50,000,000 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 28,756,004 treasury shares as of 31 December 2021 (31 December 2020: 27,346,399 shares). The details of the treasury shares acquired for the year ended 31 December 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 reserv | 20 June 2013     | 314,024       | -                            | -                  |
| Bonus shares from incorporating reserv | 5 June 2014      | 683,977       | -                            | -                  |
| Bonus shares from incorporating reserv | 11 June 2015     | 1,271,466     | -                            | -                  |
| Bonus shares from incorporating reserv | 25 May 2016      | 1,325,030     | -                            | -                  |
| Bonus shares from incorporating reserv | 17 August 2017   | 845,764       | -                            | -                  |
| Bonus shares from incorporating reserv | 8 June 2018      | 1,071,301     | -                            | -                  |
| Bonus shares from incorporating reserv | 17 June 2019     | 1,973,449     | -                            | -                  |
| Bonus shares from incorporating reserv | 20 August 2020   | 1,184,071     | -                            | -                  |
| Bonus shares from incorporating reserv | 20 May 2021      | 1,409,605     | -                            | -                  |
| Total repurchased shares               |                  | 28,756,004    |                              | 24,809,533         |

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

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

**d) Restricted reserves appropriated from profit**

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's paid-in capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted. In accordance with the Turkish Commercial Code, the Company has to appropriate restricted reserve equivalent to the Company's treasury shares acquired. Such reserve can only be released in the amount of any sold or destroyed shares valued at acquisition cost. As of 31 December 2021, the Company's restricted reserves appropriated from profit are comprised of legal reserves amounting to TL 58,787,783 (31 December 2020: TL 52,735,975).

**16. REVENUE AND COST OF SALES**

|  | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|
| <b>a) Sales</b>  |                                   |                                   |
| Total income on properties                             | 95,000,737                        | 146,800,045                       |
| <i>Income from the sale of<br/>investment property</i> | 29,804,873                        | -                                 |
| <i>Income from sale of residence</i>                   | 6,579,246                         | 84,947,637                        |
| <i>Rental income</i>                                   | 58,616,618                        | 61,852,408                        |
| Total income on debt instruments                       | 9,595,510                         | 5,065,818                         |
| <i>Interest income on deposits</i>                     | 9,595,510                         | 5,065,818                         |
|  | <u>104,596,247</u>                | <u>151,865,863</u>                |
|  | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
| <b>b) Cost of Sales</b>                                |                                   |                                   |
| Income from the sale of<br>investment property         | 27,445,000                        | -                                 |
| Direct operating/maintenance expenses                  | 4,247,699                         | 5,332,479                         |
| Cost of sales of residence                             | 854,803                           | 60,160,002                        |
| Other  | 607,567                           | -                                 |
|  | <u>33,155,069</u>                 | <u>65,492,481</u>                 |

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**17. EXPENSES BY NATURE**

|  | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|
| Cost of sales of investment property   | 27,445,000                        | -                                 |
| Personnel expenses                     | 16,210,479                        | 12,938,210                        |
| Advertisement expenses                 | 3,738,214                         | 4,853,445                         |
| Depreciation and amortization expenses | 3,148,575                         | 3,508,581                         |
| Consulting expenses                    | 1,245,275                         | 1,112,427                         |
| Taxes, duties and fees                 | 1,814,270                         | 4,225,227                         |
| Insurance expenses                     | 1,082,470                         | 1,050,923                         |
| Property tax expenses                  | 2,425,523                         | 1,242,729                         |
| Outsourced service expenses            | 929,620                           | 961,595                           |
| Maintenance and repair expenses        | 746,875                           | 413,804                           |
| Charity and donations                  | 714,143                           | -                                 |
| Cost of residence sales                | 854,803                           | 60,160,002                        |
| Building common expenses               | 367,564                           | 795,352                           |
| Stationery and IT related expenses     | 201,919                           | 160,859                           |
| Travel and car expenses                | 168,656                           | 119,319                           |
| Commission expenses                    | 119,403                           | 2,510,850                         |
| Rent expenses                          | 58,422                            | 115,473                           |
| Other                                  | 648,325                           | 229,623                           |
|  | <u>61,919,536</u>                 | <u>94,398,419</u>                 |

**Fees for services received from an independent audit firm**

Based on the Board Decision of the Public Oversight, Accounting and Auditing Standards Authority "POA" published in the Official Gazette, the fees for the services received by the Group from the independent auditor/independent audit firm as of the reporting period are as follows:

|  | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|
| Independent audit fee for the reporting period | 254,750                           | 182,250                           |
|  | <u>254,750</u>                    | <u>182,250</u>                    |

**18. GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES**

|                                     | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| General administrative expenses (-) | 23,272,674                        | 18,309,513                        |
| Marketing and sales expenses (-)    | 5,491,793                         | 10,596,425                        |
|                                     | <u>28,764,467</u>                 | <u>28,905,938</u>                 |

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

|  | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|
| Personnel expenses                     | 15,050,872                        | 12,166,321                        |
| Advertisement expenses                 | 2,300,670                         | 1,662,924                         |
| Depreciation and amortization expenses | 1,207,716                         | 1,257,231                         |
| Taxes, duties and fees                 | 1,025,263                         | 1,022,865                         |
| Donation and charity                   | 714,143                           | -                                 |
| Consulting expenses                    | 740,669                           | 468,721                           |
| Outsourced servise expenses            | 929,620                           | 961,595                           |
| Maintenance and repair expenses        | 528,494                           | 374,912                           |
| Stationery and IT related expenses     | 201,919                           | 160,859                           |
| Travel and car expenses                | 168,656                           | 119,319                           |
| Provision expenses                     | 78,455                            | -                                 |
| Rent expenses                          | 52,265                            | 17,026                            |
| Other                                  | 273,932                           | 97,740                            |
|  | <u>23,272,674</u>                 | <u>18,309,513</u>                 |

**b) Detail of Marketing Expenses**

|                                       | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
|---------------------------------------|-----------------------------------|-----------------------------------|
| Depreciation and amortization charges | 1,940,859                         | 2,251,350                         |
| Advertisement expenses                | 1,437,544                         | 3,190,521                         |
| Personnel expenses                    | 858,533                           | 771,889                           |
| Consulting expenses                   | 504,606                           | 275,680                           |
| Common building expenses              | 222,794                           | 795,352                           |
| Taxes, duties and fees                | 163,521                           | 570,453                           |
| Sales office rent expenses            | 6,157                             | 98,447                            |
| Commission expenses (*)               | 119,403                           | 2,510,850                         |
| Other                                 | 238,376                           | 131,883                           |
|                                       | <u>5,491,793</u>                  | <u>10,596,425</u>                 |

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

**Detail of Personnel Expenses**

|   | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
|---|-----------------------------------|-----------------------------------|
| Wages and salaries                            | 10,801,498                        | 8,762,283                         |
| Social Security Institution employer's shares | 1,640,128                         | 1,383,832                         |
| Employee benefits provision                   | 1,180,842                         | 604,278                           |
| Attendance fees                               | 719,622                           | 647,096                           |
| Insurance expenses                            | 686,634                           | 662,993                           |
| Other   | 880,681                           | 877,728                           |
|   | <u>15,909,405</u>                 | <u>12,938,210</u>                 |

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**19. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES**

Other income from operating activities:

|  | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|
| Value increase of investment properties (Note 9)       | 373,748,346                       | 315,139,702                       |
| Foreign exchange gains arising from activities         | 3,931,337                         | 2,321,853                         |
| Income from waiver and cancellation of promise of sale | 664,530                           | 325,446                           |
| Provisions released                                    | 151,704                           | 70,246                            |
| Other income   | 1,519,205                         | 587,402                           |
|  | <u>380,015,122</u>                | <u>318,444,649</u>                |

Other expenses from operating activities:

|   | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
|---|-----------------------------------|-----------------------------------|
| Foreign exchange difference expense arising from activities | (1,483,007)                       | (3,632,521)                       |
| Interest discounts  | -                                 | (228,312)                         |
| Other expenditures related to sales returns                 | -                                 | (290,358)                         |
| Non-deductible VAT  | -                                 | (112,500)                         |
| Other expenses  | (854)                             | (26,833)                          |
|   | <u>(1,483,861)</u>                | <u>(4,290,524)</u>                |

**20. FINANCE EXPENSES**

|  | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|
| Short-term lease certificate interest expenses         | 79,235,323                        | 28,968,027                        |
| Expenses on finance leases                             | 49,487,502                        | 6,514,813                         |
| Interest expenses from bank loans                      | 14,413,604                        | 12,476,648                        |
| Commission expenses                                    | 6,431,068                         | 15,615,449                        |
| Expenses on operating leases                           | 588,680                           | 354,672                           |
|  | <u>150,156,177</u>                | <u>63,929,609</u>                 |
| Less: Amounts included in the<br>investment properties | <u>(107,504,587)</u>              | <u>(44,760,505)</u>               |
| Finance expense  | <u>42,651,590</u>                 | <u>19,169,104</u>                 |

**21. 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.

**22. EARNINGS PER SHARE**

| <b>Earning per share</b>   | 1 January-<br>31 December<br>2021 | 1 January-<br>31 December<br>2020 |
|--|-----------------------------------|-----------------------------------|
| Average number of shares outstanding<br>during the period (full value) | 1,020,000,000                     | 1,020,000,000                     |
| Net profit for the parent company shareholders                         | 378,556,382                       | 352,452,465                       |
| Earnings per share from continuing<br>and discontinued operations      | 0.3711                            | 0.3455                            |

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**23. FINANCIAL INSTRUMENTS****Financial Liabilities**

| <u>Financial Liabilities</u> | <u>31 December 2021</u> | <u>31 December 2020</u> |
|------------------------------|-------------------------|-------------------------|
| a) Borrowing Instruments     | 747,962,082             | 335,615,485             |
| b) Bank Loans                | 136,106,156             | 118,092,468             |
| c) Finance Lease Payables(*) | 127,871,430             | 26,391,408              |
| d) Operating Lease Payables  | 1,673,702               | 1,117,575               |
|                              | <u>1,013,613,370</u>    | <u>481,216,936</u>      |

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

| <u>Borrowing Securities</u>   | <u>31 December 2021</u> | <u>31 December 2020</u> |
|-------------------------------|-------------------------|-------------------------|
| Short-term lease certificates | 747,962,082             | 335,615,485             |
|                               | <u>747,962,082</u>      | <u>335,615,485</u>      |

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

| <u>Issue Date</u> | <u>Maturity Date</u> | <u>Rate of Return</u> | <u>Nominal Value</u> | <u>Amortization Date</u> | <u>Amortization Amount</u> |
|-------------------|----------------------|-----------------------|----------------------|--------------------------|----------------------------|
| 19 December 2017  | 16 March 2018        | 13.25%                | 100,000,000          | 16 March 2018            | 103,158,384                |
| 16 March 2018     | 20 June 2018         | 13.40%                | 100,000,000          | 20 June 2018             | 103,528,384                |
| 23 March 2018     | 20 June 2018         | 13.40%                | 25,000,000           | 20 June 2018             | 25,816,849                 |
| 20 June 2018      | 19 September 2018    | 17.00%                | 125,000,000          | 19 September 2018        | 130,297,945                |
| 19 September 2018 | 19 December 2018     | 27.00%                | 125,000,000          | 19 December 2018         | 133,430,181                |
| 12 October 2018   | 22 January 2019      | 27.50%                | 75,000,000           | 22 January 2019          | 80,763,699                 |
| 19 December 2018  | 16 April 2019        | 23.60%                | 170,000,000          | 16 April 2019            | 182,970,150                |
| 22 January 2019   | 21 May 2019          | 22.50%                | 80,000,000           | 21 May 2019              | 85,868,480                 |
| 16 April 2019     | 20 August 2019       | 22.75%                | 180,000,000          | 20 August 2019           | 194,136,120                |
| 21 May 2019       | 17 September 2019    | 23.50%                | 75,000,000           | 17 September 2019        | 80,746,200                 |
| 20 August 2019    | 17 December 2019     | 17.50%                | 205,000,000          | 17 December 2019         | 216,696,070                |
| 17 September 2019 | 7 January 2020       | 14.90%                | 75,000,000           | 7 January 2020           | 78,429,000                 |
| 9 October 2019    | 10 March 2020        | 14.00%                | 100,000,000          | 10 March 2020            | 105,868,400                |
| 17 December 2019  | 12 May 2020          | 10.90%                | 185,000,000          | 12 May 2020              | 193,121,130                |
| 7 January 2020    | 2 June 2020          | 10.40%                | 75,000,000           | 2 June 2020              | 78,141,300                 |
| 10 March 2020     | 18 August 2020       | 9.80%                 | 75,000,000           | 18 August 2020           | 78,242,025                 |
| 2 June 2020       | 29 September 2020    | 8.60%                 | 100,000,000          | 29 September 2020        | 102,803,800                |
| 12 May 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             | 48,280,588                 |
| 24 February 2021  | 23 June 2021         | 17.7%                 | 150,000,000          | 23 June 2021             | 158,656,050                |
| 10 March 2021     | 1 July 2021          | 17.75%                | 131,000,000          | 1 July 2021              | 138,198,712                |
| 6 April 2021      | 18 August 2021       | 19.40%                | 120,000,000          | 18 August 2021           | 128,546,640                |
| 23 June 2021      | 12 October 2021      | 18.95%                | 180,000,000          | 12 October 2021          | 190,373,220                |
| 1 July 2021       | 9 November 2021      | 19.00%                | 150,000,000          | 9 November 2021          | 160,228,000                |
| 28 July 2021      | 23 November 2021     | 19.10%                | 120,000,000          | 23 November 2021         | 127,409,760                |
| 18 August 2021    | 8 December 2021      | 19.00%                | 150,000,000          | 8 December 2021          | 158,745,150                |
| 12 October 2021   | 8 February 2022      | 17.85%                | 180,000,000          | -                        | 190,475,280                |
| 9 November 2021   | 1 March 2022         | 16.30%                | 200,000,000          | -                        | 210,003,200                |
| 23 November 2021  | 22 March 2022        | 15.50%                | 120,000,000          | -                        | 126,064,080                |
| 8 December 2021   | 5 April 2022         | 16.00%                | 232,000,000          | -                        | 244,000,432                |

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**23. FINANCIAL INSTRUMENTS (cont'd)**

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

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

| <u>Bank Loans</u>                          | <u>31 December 2021</u> | <u>31 December 2020</u> |
|--|-------------------------|-------------------------|
| Short-term bank loans                      | 62,809,181              | 6,313,225               |
| Short-term portion of long term bank loans | 50,368,187              | 40,918,126              |
| Long-term bank loans                       | 22,928,788              | 70,861,117              |
|  | <u>136,106,156</u>      | <u>118,092,468</u>      |

Interest rates of financial liabilities are as follows:

| <u>Financial Instrument</u> | <u>Currency</u> | <u>Weighted average Interest rate</u> | <u>31 December 2021</u> |                   |
|-----------------------------|-----------------|---------------------------------------|-------------------------|-------------------|
|                             |                 |                                       | <u>Short-term</u>       | <u>Long-term</u>  |
| Lease certificates          | TL              | 16.46%                                | 747,962,082             | -                 |
| Fixed rate loans            | TL              | 9.77%                                 | 55,973,871              | 22,928,788        |
| Floating rate loans         | TL              | 17.80%                                | 57,203,497              | -                 |
| Financial lease agreement   | EUR             | 5.10%                                 | 57,063,382              | 70,808,044        |
| Operating lease agreement   | TL              | 23.5%                                 | 1,201,447               | 472,259           |
|                             |                 |                                       | <u>919,404,279</u>      | <u>94,209,091</u> |

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

Maturities of bank borrowings are as follows:

|                   | <u>31 December 2021</u> | <u>31 December 2020</u> |
|-------------------|-------------------------|-------------------------|
| Less than 1 year  | 919,404,279             | 396,623,383             |
| Between 1-2 years | 74,515,214              | 59,608,580              |
| Between 2-3 years | 19,693,877              | 23,975,740              |
| Between 3-4 years | -                       | 1,009,233               |
|                   | <u>1,013,613,370</u>    | <u>481,216,936</u>      |



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#### 24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

##### a) Capital risk management

The Group manages its capital to ensure that 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 2021, the Group's strategy has not been change from 2020. As of 31 December 2021 and 31 December 2020, the net debt/capital ratio calculated as net debt divided by total capital (net debt is calculated as total borrowings less cash and cash equivalents and short-term financial investments) is as follows:

|                                 | 31 December<br>2021 | 31 December<br>2020 |
|---------------------------------|---------------------|---------------------|
| Financial liabilities           | 1,013,613,370       | 481,216,936         |
| Less: Cash and cash equivalents | (53,109,547)        | (49,553,215)        |
| Net debt                        | 960,503,823         | 431,663,721         |
| Total shareholders equity       | 3,300,178,143       | 2,926,488,712       |
| Total share capital             | 1,020,000,000       | 970,000,000         |
| Net Debt/Total Capital Ratio    | 94%                 | 45%                 |

##### b) Financial Risk Factors

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

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

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**24. 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**

|   | Trade Receivables |           |                 | Receivables |                 |            |
|---|-------------------|-----------|-----------------|-------------|-----------------|------------|
|   | Related Parties   | Other     | Related Parties | Other       | Related Parties | Other      |
| <b>31 December 2021</b>   |                   |           |                 |             |                 |            |
| Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)                  | 60                | 2,529,290 | -               | -           | -               | 53,109,547 |
| - Secured portion of the maximum credit risk by guarantees, etc. (**)               | -                 | 2,259,423 | -               | -           | -               | -          |
| <b>A. Net book value of financial assets that are neither past due nor impaired</b> | 60                | 2,529,290 | -               | -           | -               | 53,109,547 |
| <b>B. Net book value of financial assets that are past due but not impaired</b>     | -                 | -         | -               | -           | -               | -          |
| <b>C. Net book value of the impaired assets</b>                                     | -                 | -         | -               | -           | -               | -          |
| - 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.                         | -                 | -         | -               | -           | -               | -          |
| <b>D. Off-balance sheet items include credit risk</b>                               | -                 | -         | -               | -           | -               | -          |

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

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

| Details of credit risk by class of financial instruments                     | Receivables       |           |                   |       |                   |
|--|-------------------|-----------|-------------------|-------|-------------------|
|  | Trade Receivables |           | Other Receivables |       |                   |
| 31 December 2020   | Related Parties   | Other     | Related Parties   | Other | Deposits at Banks |
| 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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**24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

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

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

***b.2) Liquidity risk management***

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

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

**Liquidity risk table:**

31 December 2021

| <b><u>Contractual Terms</u></b>                     | <b><u>Carrying value</u></b> | <b><u>Total Contractual</u></b>                         |   |  |   |
|---|------------------------------|---|---|--|---|
|   |                              | <b><u>Cash Outflows</u></b><br><b><u>(I+II+III)</u></b> | <b><u>Less than 3</u></b><br><b><u>months (I)</u></b> | <b><u>3 to 12</u></b><br><b><u>months (II)</u></b> | <b><u>1 to 5 years</u></b><br><b><u>(III)</u></b> |
| <b>Non-derivative financial liabilities</b>         |                              |   |   |  |   |
| Bank loans  | 136,106,156                  | 142,265,942   | 73,890,692  | 42,073,397   | 26,301,853  |
| Debt securities issued                              | 747,962,082                  | 770,542,992   | 526,542,560   | 244,000,432  | -   |
| Financia lease liabilities                          | 127,871,430                  | 141,975,146   | 16,079,902  | 48,628,579   | 77,266,665  |
| Long-term liabilities arising from operating leases | 1,673,702                    | 1,879,031   | 425,208   | 934,263  | 519,560   |
| Trade payables                                      | 140,532,099                  | 163,402,089   | 55,532,099  | -  | 107,869,990                                       |
| Other liabilities                                   | 5,118,543                    | 5,118,543   | 5,118,543   | -  | -   |
| <b>Total liabilities</b>                            | <b>1,159,264,012</b>         | <b>1,225,183,743</b>                                    | <b>677,589,004</b>                                    | <b>335,636,671</b>                                 | <b>211,958,068</b>                                |

31 December 2020

| <b><u>Contractual Terms</u></b>                     | <b><u>Carrying value</u></b> | <b><u>Total Contractual</u></b>                         |   |  |   |
|---|------------------------------|---|---|--|---|
|   |                              | <b><u>Cash Outflows</u></b><br><b><u>(I+II+III)</u></b> | <b><u>Less than 3</u></b><br><b><u>months (I)</u></b> | <b><u>3 to 12</u></b><br><b><u>months (II)</u></b> | <b><u>1 to 5 years</u></b><br><b><u>(III)</u></b> |
| <b>Non-derivative financial liabilities</b>         |                              |   |   |  |   |
| 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   | -  | -   |
| <b>Total liabilities</b>                            | <b>513,633,284</b>           | <b>539,955,908</b>                                      | <b>340,008,426</b>                                    | <b>99,862,014</b>                                  | <b>100,085,468</b>                                |

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

During the current period, no change to either exposed risks or management and measurement methods of these risks, occurred compared to the prior year.

***b.3.1) Foreign currency risk management***

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

|   | 31 December 2021 |           |             |
|---|------------------|-----------|-------------|
|   | TL Amount        | US Dollar | Euro        |
| 1. Trade Receivables  | 331,620          | 4,764     | 17,772      |
| 2a. Monetary Financial Assets   | -                | -         | -           |
| 2b. Non-monetary Financial Assets   | -                | -         | -           |
| 3. Other  | -                | -         | -           |
| 4. CURRENT ASSETS   | 331,620          | 4,764     | 17,772      |
| 5. Trade Receivables  | 577,006          | -         | 38,246      |
| 6a. Monetary Financial Assets   | -                | -         | -           |
| 6b. Non-monetary Financial Assets   | -                | -         | -           |
| 7. Other  | -                | -         | -           |
| 8. NON-CURRENT ASSETS   | 577,006          | -         | 38,246      |
| 9. TOTAL ASSETS   | 908,626          | 4,764     | 56,018      |
| 10. Trade Payables  | 63,427           | 4,750     | -           |
| 11. Financial Liabilities   | 57,063,382       | -         | 3,775,556   |
| 12a. Monetary Other Liabilities   | -                | -         | -           |
| 12b. Non-Monetary Other Liabilities   | -                | -         | -           |
| 13. CURRENT LIABILITIES   | 57,126,809       | 4,750     | 3,775,556   |
| 14. Trade Payables  | -                | -         | -           |
| 15. Financial Liabilities   | 70,808,044       | -         | 4,684,962   |
| 16a. Monetary Other Liabilities   | -                | -         | -           |
| 16b. Non-Monetary Other Liabilities   | -                | -         | -           |
| 17. NON-CURRENT LIABILITIES   | 70,808,044       | -         | 4,684,962   |
| 18. TOTAL LIABILITIES   | 127,934,853      | 4,750     | 8,460,518   |
| 19. Off-balance Sheet Derivative Instruments<br>Net Asset/Liability Position (19a-19b)    | -                | -         | -           |
| 19.a. Assets on foreign currency derivative<br>instruments                                | -                | -         | -           |
| 19.b. Liabilities on foreign currency derivative<br>instruments                           | -                | -         | -           |
| 20. Net Foreign Currency Assets/Liabilities Position                                      | (127,026,227)    | 14        | (8,404,500) |
| 21. Monetary Items Net Foreign Currency Assets /<br>Liabilities (1+2a+5+6a-10-12a-14-16a) | (127,026,227)    | 14        | (8,404,500) |

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**24. 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<br>Net Asset/Liability Position (19a-19b)    | -                | -         | -           |
| 19.a. Assets on foreign currency derivative<br>instruments                                | -                | -         | -           |
| 19.b. Liabilities on foreign currency derivative<br>instruments                           | -                | -         | -           |
| 20. Net Foreign Currency Assets/Liabilities Position                                      | (26,400,952)     | -         | (2,930,867) |
| 21. Monetary Items Net Foreign Currency Assets /<br>Liabilities (1+2a+5+6a-10-12a-14-16a) | (26,400,952)     | -         | (2,930,867) |

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**24. 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.

|   | <b>31 December 2021</b>                         |   |   |   |
|---|---|---|---|---|
|   | <u>Profit / Loss</u>                            |   | <u>Equity</u>                                   |   |
|   | <u>Appreciation<br/>of Foreign<br/>Currency</u> | <u>Depreciation<br/>of Foreign<br/>Currency</u> | <u>Appreciation<br/>of Foreign<br/>Currency</u> | <u>Depreciation<br/>of Foreign<br/>Currency</u> |
| In case of US Dolar increases in 10% against TL |   |   |   |   |
| 1 - US Dolar net asset/liability                | 19  | (19)  | 19  | (19)  |
| 2- US Dolar hedges (-)                          | -   | -   | -   | -   |
| <b>3- Net effect of US Dollar (1 +2)</b>        | <b>19</b>                                       | <b>(19)</b>                                     | <b>19</b>                                       | <b>(19)</b>                                     |
| In case of Euro increases in 10% against TL     |   |   |   |   |
| 4 - Euro net asset/liability                    | (12,702,478)                                    | 12,702,478                                      | (12,702,478)                                    | 12,702,478                                      |
| 5 - Euro hedges (-)                             | -   | -   | -   | -   |
| <b>6- Net effect of Euro (4+5)</b>              | <b>(12,702,478)</b>                             | <b>12,702,478</b>                               | <b>(12,702,478)</b>                             | <b>12,702,478</b>                               |
|   | <u>(12,702,459)</u>                             | <u>12,702,459</u>                               | <u>(12,702,459)</u>                             | <u>12,702,459</u>                               |

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

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**24. 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 December 2021</u> | <u>31 December 2020</u> |
|---|-------------------------|-------------------------|
| <b>Fixed interest rate instruments</b>    |                         |                         |
| Financial liabilities                     | 956,409,873             | 481,216,936             |
| <b>Variable interest rate instruments</b> |                         |                         |
| Financial liabilities                     | 57,203,497              | -                       |

**25. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)**

|                              | <u>At fair value<br/>through profit or<br/>loss</u> | <u>Financial<br/>liabilities at<br/>amortized cost</u> | <u>Carrying value (*)</u> | <u>Note</u> |
|------------------------------|---|--|---------------------------|-------------|
| 31 December 2021             |   |  |                           |             |
| <b>Financial assets</b>      |   |  |                           |             |
| Cash and cash equivalents    | 53,109,547  | -  | 53,109,547                | 27          |
| Trade receivables            | 2,529,350   | -  | 2,529,350                 | 5           |
| <b>Financial liabilities</b> |   |  |                           |             |
| Borrowings                   | -   | 1,013,613,370  | 1,013,613,370             | 23          |
| Trade payables               | -   | 55,522,078   | 55,522,078                | 5           |
| Due to related parties       | -   | 85,010,021   | 85,010,021                | 4           |
| Other financial liabilities  | -   | 5,118,543  | 5,118,543                 | 14          |

|                              | <u>At fair value<br/>through profit or<br/>loss</u> | <u>Financial<br/>liabilities at<br/>amortized cost</u> | <u>Carrying value (*)</u> | <u>Note</u> |
|------------------------------|---|--|---------------------------|-------------|
| 31 December 2020             |   |  |                           |             |
| <b>Financial assets</b>      |   |  |                           |             |
| Cash and cash equivalents    | 49,553,215  | -  | 49,553,215                | 27          |
| Trade receivables            | 6,933,434   | -  | 6,933,434                 | 5           |
| <b>Financial liabilities</b> |   |  |                           |             |
| Borrowings                   | -   | 481,216,936  | 481,216,936               | 23          |
| Trade payables               | -   | 30,887,316   | 30,887,316                | 5           |
| Due to related parties       | -   | 8,742  | 8,742                     | 4           |
| Other financial liabilities  | -   | 1,520,290  | 1,520,290                 | 14          |

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



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**25. 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.

**26. EVENTS AFTER THE REPORTING PERIOD**

The Group management decided to increase the capital of TL 530,000,000 on 21 January 2022 and the related decision was submitted to the Capital Markets Board for approval on 28 January 2022.

**27. NOTES ON THE STATEMENT OF CASH FLOWS**

|   | 31 December<br>2021 | 31 December<br>2020 |
|---|---------------------|---------------------|
| Cash at banks   | 53,110,456          | 49,553,809          |
| <i>Demand deposits (*)</i>  | 2,131,214           | 798,013             |
| <i>Time deposits</i>  | 50,979,242          | 48,755,796          |
| Expected credit loss (-)  | (909)               | (594)               |
| <i>Cash and cash equivalents in the statement<br/>of financial position</i> | <i>53,109,547</i>   | <i>49,553,215</i>   |
| Less: Interest income accruals on cash equivalents                          | (21,983)            | (21,693)            |
| <i>Cash and cash equivalents in the statement<br/>of cash flows</i>         | <i>53,087,564</i>   | <i>49,531,522</i>   |

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

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

| <b>31 December 2021</b>     | <b>Amount</b> | <b>Interest rate</b> | <b>Maturity</b> |
|-----------------------------|---------------|----------------------|-----------------|
| <b><u>Time deposits</u></b> |               |                      |                 |
| TL                          | 50,838,661    | 15.75%               | 2 January 2022  |
| TL                          | 2,358         | 4.75%                | 2 January 2022  |
| TL                          | 57,238        | 14.00%               | 2 January 2022  |
| TL                          | 80,985        | 15.00%               | 2 January 2022  |
|                             | 50,979,242    |                      |                 |
| <b>31 December 2020</b>     | <b>Tutar</b>  | <b>Interest rate</b> | <b>Maturity</b> |
| <b><u>Time deposits</u></b> |               |                      |                 |
| TL                          | 48,725,549    | 16.25%               | 4 January 2021  |
| TL                          | 5,692         | 3%                   | 4 January 2021  |
| TL                          | 24,555        | 15.5%                | 4 January 2021  |
|                             | 48,755,796    |                      |                 |

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 24.

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**28. 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 Second Circuit on 17 December 2019. On 21 February 2020, the Second Circuit denied the Parent Bank's objection.

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

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

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

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

District Court denied the Parent Bank's motion to dismiss the indictment on 1 October 2020. The Parent Bank appealed the Court of Appeals Second Circuit for the motion to dismiss the indictment with regard to Foreign Sovereign Immunity Act (exemption from the jurisdiction of the US courts). On 23 December 2020, the Court of Appeals Second Circuit granted the Parent Bank's motion to stay the case pending sovereign immunity appeal. The jury hearing was held before the Court of Appeals Second Circuit on 12 April 2021, and the Court rejected the Bank's appeal on 22 October 2021. The Bank requested a reconsideration of the decision rendered by the Court of Appeals Second Circuit on 5 November 2021. The court rejected this request on 15 December 2021.

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

Since the Bank will bring its objection regarding Foreign State Immunity to the US Supreme Court (Supreme Court of the United States), it has requested the Court of Appeals Second Circuit to stop the case from being sent back to the District Court in this process. This request was accepted the Court of Appeals Second Circuit on 14 January 2022. Legal proceedings in the District Court are suspended pending the end of the U.S. Supreme Court process. The Bank will file an appeal under Foreign State Immunity with the U.S. Supreme Court by 13 May 2022. If the bank's appeal is successful in the U.S. Supreme Court, the case will be dismissed without trial on the merits, if it is unsuccessful, the case will be sent to the District Court again and the District Court will have to establish a new litigation calendar for the trial.

In addition, before the U.S. Southern District Court of New York, on 27 March 2020, a lawsuit was filed against the Bank by some complainants who claim for compensation on the grounds that they could not collect their receivables from Iran due to alleged violations of sanctions. The related case was notified to the Bank's lawyers on 1 July 2020. The Bank submitted its petition to the court on 25 September 2020, stating that the case should be dismissed due to the rejection of the complainants' complaint. The petition process in this context was completed on 16 December 2020. On 16 February 2021, the District Court accepted the Bank's objection of non-compliance with the place of jurisdiction within the scope of the dismissal request, conditionally dismissing the case and the case file at the District Court was closed on 3 March 2021.

The complainants submitted their appeal on 30 June 2021, taking the District Court decision to the Court of Appeals Second Circuit. The mutual petition stage has been completed and the appeal process continues before the Court of Appeals Second Circuit.

The Bank closely monitors the proceedings of both criminal and civil lawsuits through specialized US law firms.

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

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

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

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

As of 31 December 2021, the Group complied with the restrictions that stated on the paragraph “a, b, c, d and e” of 24th, 22nd and 38th articles of the CMB’s communique no III-48.1, “Communiqué on Principles Regarding Real Estate Investment Trusts”, published in the Official Gazette numbered 28660. The ratios related with these restrictions are shown below.

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

|           | Financial statement primary account items  | Regulation                       | 31 December 2021 (TL)        | 31 December 2020 (TL)        |
|-----------|--|----------------------------------|------------------------------|------------------------------|
| <b>A</b>  | Money and capital market instruments   | Serial: III-48.1. Article 24/(b) | 53,109,547                   | 49,553,215                   |
| <b>B</b>  | Real estates, based on real estates, rights based on real estates                                  | Serial: III-48.1. Article24/(a)  | 4,326,319,128                | 3,278,206,351                |
| <b>C</b>  | Subsidiaries   | Serial: III-48.1. Article24/(b)  | ---                          | ---                          |
|           | Due from related parties (non-trade)   | Serial: III-48.1. Article23/(f)  | ---                          | ---                          |
|           | Other assets   |                                  | 198,792,612                  | 186,966,514                  |
| <b>D</b>  | <b>Total Assets</b>  | Serial: III-48.1. Article3/(k)   | <b>4,578,221,287</b>         | <b>3,514,726,080</b>         |
| <b>E</b>  | Loans and borrowings   | Serial: III-48.1. Article31      | 884,068,238                  | 453,707,953                  |
| <b>F</b>  | Other financial liabilities  | Serial: III-48.1. Article31      | ---                          | ---                          |
| <b>G</b>  | Financial leasing obligations  | Serial: III-48.1. Article31      | 129,545,132                  | 27,508,983                   |
| <b>H</b>  | Due to related parties (non-trade)   | Serial: III-48.1. Article23/(f)  | ---                          | ---                          |
| <b>I</b>  | Equity   | Serial: III-48.1. Article31      | 3,300,178,143                | 2,926,488,712                |
|           | Other liabilities  |                                  | 264,429,774                  | 107,020,432                  |
| <b>D</b>  | <b>Total liabilities and equity</b>  | Serial: III-48.1. Article3/(k)   | <b>4,578,221,287</b>         | <b>3,514,726,080</b>         |
|           | <b>Other financial information</b>   | <b>Regulation</b>                | <b>31 December 2021 (TL)</b> | <b>31 December 2020 (TL)</b> |
| <b>A1</b> | Portion of money and capital markets instruments for real estate payments of 3 years               | Serial: III-48.1. Article24/(b)  | ---                          | ---                          |
| <b>A2</b> | Time deposit/ demand deposit/ TL / foreign currency  | Serial: III-48.1. Article24/(b)  | 53,109,547                   | 49,553,215                   |
| <b>A3</b> | Foreign capital market instruments   | Serial: III-48.1. Article24/(d)  | ---                          | ---                          |
| <b>B1</b> | Foreign real estates, based on real estates projects, rights for real estates                      | Serial: III-48.1. Article24/(d)  | ---                          | ---                          |
| <b>B2</b> | Idle land  | Serial: III-48.1. Article24/(c)  | ---                          | ---                          |
| <b>C1</b> | Foreign Subsidiaries   | Serial: III-48.1. Article24/(d)  | ---                          | ---                          |
| <b>C2</b> | Investment in the operating company  | Serial: III-48.1. Article28      | ---                          | ---                          |
| <b>J</b>  | Non-cash loans   | Serial: III-48.1. Article31      | 431,637,997                  | 407,989,762                  |
| <b>K</b>  | Mortgage amounts on land that project to be developed but the ownership does not belong the entity | Serial: III-48.1. Article22/(e)  | 380,591,700                  | ---                          |
| <b>L</b>  | Total investments of money, and capital market instruments at one company                          | Serial: III-48.1. Article22/(f)  | ---                          | ---                          |

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

| Portfolio Restriction   | Regulations                          | Calculation   | Min/Max Rate | 31 December 2021 (TL) | 31 December 2020 (TL) |
|---|--------------------------------------|---------------|--------------|-----------------------|-----------------------|
| 1 Mortgage amounts on land that project to be developed but the ownership does not belong to the entity                 | Serial: III-48.1, Article 22/(e)     | K/D           | Maximum 10%  | 8.31%                 | --                    |
| 2 Real estates, based on real estates, rights based on real estates   | Serial: III-48.1, Article 24/(a),(b) | (B+A)/YD      | Maximum 51%  | 94.5%                 | 93.27%                |
| 3 Money and capital market instruments and associates   | Serial: III-48.1, Article 24/(b)     | (A+C-A)/YD    | Maximum 49%  | 1.16%                 | 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)/YD | 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+I)/J | Maximum 500% | 43.79%                | 30.38%                |
| 8 Time deposit/ demand deposit/ TL / foreign currency   | Serial: III-48.1, Article 24/(b)     | (A2-A1)/YD    | Maximum 10%  | 1.16%                 | 1.41%                 |
| 9 Total investments of money and capital market instruments at one company  | Serial: III-48.1, Article 22/(f)     | L/D           | Maximum 10%  | --                    | --                    |