

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

CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2022 AND  
INDEPENDENT AUDITOR'S REPORT

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

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

**INDEPENDENT AUDITOR’S REPORT ON REVIEW OF  
INTERIM FINANCIAL INFORMATION**

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

*Introduction*

We have reviewed the accompanying consolidated statement of financial position of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”) as at 31 March 2022 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Group management is responsible for the preparation and fair presentation of this interim consolidated financial information in accordance with the Turkish Financial Reporting Standards (“TFRS”). Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

*Scope of Review*

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

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with Turkish Financial Reporting Standards (TFRS).

*Other Matters*

As detailed in Note 28, we draw attention to the following which might affect the Parent Bank (“the Bank”):

On 15 October 2019, a lawsuit was filed against the Bank by the New York Southern District Attorney General of the United States (“US”) Department of Justice for violation of Iranian sanctions and in the New York Southern District Court (“District Court”). The criminal case in the District Court is pending due to an appeal by the Bank within the scope of the “Foreign State Immunity Act (FSIA)”. The Bank's appeal process to 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 some plaintiffs in the U.S. New York Southern District Court “on the grounds that they 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.

At this stage, the Bank's Management stated that there were no penalty, compensation, sanction or 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 regarding these matters in the financial statements of the Bank. However, our opinion is not modified in respect of these matters.

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

Zere Gaye Şentürk  
Partner

İstanbul, 12 May 2022

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**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY****REVIEWED STATEMENT OF CONSOLIDATED FINANCIAL POSITION  
AS AT 31 MARCH 2022**

(All amounts expressed in Turkish Lira (TL))

	<b>Notes</b>	<b>Reviewed 31 March 2022</b>	<b>Audited 31 December 2021</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	27	487,850,001	53,109,547
Trade Receivables	5	3,535,824	2,284,370
<i>Trade Receivables from Related Parties</i>	4	60	60
<i>Trade Receivables from Third Parties</i>		3,535,764	2,284,310
Inventories	6	231,180,474	184,061,628
Prepaid Expenses	7	1,212,568	260,880
<i>Prepaid Expenses to Third Parties</i>		1,212,568	260,880
Current Tax Assets		898,601	734,045
Other Current Assets	14	76,730,804	42,743,451
<i>Other Current Assets from Third Parties</i>		76,730,804	42,743,451
		<b>4,593,210,872</b>	<b>4,295,027,366</b>
<b>Non-Current Assets</b>			
Trade Receivables	5	106,571	244,980
<i>Trade Receivables From Third Parties</i>		106,571	244,980
Investment Properties	9	4,449,393,228	4,142,257,500
Property, Plant and Equipment	10	5,016,515	4,181,825
Intangible Assets	11	796,448	787,395
<i>Other Intangible Assets</i>		796,448	787,395
Prepaid Expenses	7	73,812,362	83,469,918
<i>Prepaid Expenses to Related Parties</i>		812,717	561,536
<i>Prepaid Expenses to Third Parties</i>		72,999,645	82,908,382
Other Non-Current Assets	14	64,085,748	64,085,748
<i>Other Non-Current Assets to Third Parties</i>		64,085,748	64,085,748
<b>TOTAL ASSETS</b>		<b>5,394,619,144</b>	<b>4,578,221,287</b>

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

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

## REVIEWED STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS AT 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

	Notes	Reviewed 31 March 2022	Audited 31 December 2021
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Short-term Borrowings	23	1,379,470,255	1,097,541,992
<i>Short-term Borrowings from Related Parties</i>		1,048,100,644	869,036,092
<i>Short-term Borrowings from Third Parties</i>		996,305,430	867,834,645
Short-Term Portion of Long-Term Borrowings	23	51,795,214	1,201,447
<i>Short-Term Portion of Long-Term Borrowings from Related Parties</i>		49,095,711	50,368,187
<i>Borrowings from Related Parties</i>		49,095,711	50,368,187
Other Financial Liabilities			
Trade Payables	5	122,814,161	55,532,099
<i>Trade Payables to Related Parties</i>	4	442,900	10,021
<i>Trade Payables to Third Parties</i>		122,371,261	55,522,078
Liabilities Arising from Customer Contracts	8	118,315,116	94,920,309
<i>Contract Liabilities Arising from Goods and Services Sales</i>		118,315,116	94,920,309
Short-Term Provisions		3,152,900	2,799,386
<i>Short-Term Provisions Related to Employee Benefits</i>	13	3,152,900	2,799,386
Other Current Liabilities	14	37,991,723	24,885,919
<i>Other Current Liabilities to Related Parties / Other Current Liabilities to Third Parties</i>		37,991,723	24,885,919
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	23	169,545,337	180,501,152
<i>Long-Term Financial Borrowings From Related Parties</i>		83,154,379	94,209,091
<i>Long-Term Financial Borrowings From Related Parties</i>		83,154,379	94,209,091
Trade Payables		85,000,000	85,000,000
<i>Trade Payables to Related Parties</i>	4	85,000,000	85,000,000
Long-Term Provisions	13	1,390,958	1,292,061
<i>Long-Term Provisions Related to Employee Benefits</i>		1,390,958	1,292,061
<b>EQUITY</b>			
Share Capital	15	3,845,603,552	3,300,178,143
Treasury Shares (-)	15	1,530,000,000	1,020,000,000
Share Premium / Discounts		(43,134,006)	(28,756,004)
Share Premium / Discounts		50,371,596	49,945,096
Accumulated Other Comprehensive Income or Expenses			
that will not be Reclassified to Profit or Loss		61,003	61,003
- <i>Gains on remeasurement of defined benefit plans</i>		61,003	61,003
Restricted Reserves Appropriated from Profit	15	62,422,579	58,787,783
Prior Years' Profit or Loss		2,196,505,469	1,821,583,883
Net Profit or Losses for the Period		49,376,911	378,556,382
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5,394,619,144</b>	<b>4,578,221,287</b>

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

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY****REVIEWED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY – 31 MARCH 2022**

(All amounts expressed in Turkish Lira (TL))

		<b>Reviewed</b>	<b>Reviewed</b>
		<b>1 January-</b>	<b>1 January-</b>
		<b>31 March</b>	<b>31 March</b>
	<b>Notes</b>	<b>2022</b>	<b>2021</b>
Revenue	16	28,845,006	33,961,693
Cost of Sales (-)	16	<u>(2,837,702)</u>	<u>(18,660,458)</u>
<b>GROSS PROFIT</b>		<b>26,007,304</b>	<b>15,301,235</b>
General Administrative Expenses (-)	18	(7,375,942)	(5,387,794)
Marketing Expenses (-)	18	(1,440,894)	(1,051,434)
Other Income from Operating Activities	19	38,179,671	512,058
Other Expenses from Operating Activities (-)	19	<u>(739,992)</u>	<u>(169,646)</u>
<b>OPERATING PROFIT</b>		<b>54,630,147</b>	<b>9,204,419</b>
<b>OPERATING PROFIT (LOSS) BEFORE FINANCE INCOME (EXPENSE)</b>		<b>54,630,147</b>	<b>9,204,419</b>
Finance Expenses (-)	20	(5,253,236)	(757,236)
<b>PROFIT FOR THE PERIOD</b>		<b>49,376,911</b>	<b>8,447,183</b>
Earnings per Share		0.0323	0.0087
<b>OTHER COMPREHENSIVE INCOME:</b>			
<b>Items That Will Not Be Reclassified to Profit or Loss</b>		-	162,940
Gain on Remeasurement of Defined Benefit Plans	13	-	162,940
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE)</b>		<b>49,376,911</b>	<b>8,610,123</b>

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

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

### REVIEWED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

	Notes	Share Capital	Treasury Shares	Share Premium/ Discounts	Accumulated Other Comprehensive Income or Expenses that will not be Reclassified to Profit or Loss	Retained Earnings			Equity
					Accumulated Gains / Losses on Remeasurement of Defined Benefit Plans	Restricted Reserves Appropriated from Profit	Prior Years' Profit / Losses	Net Profit / Loss for the Period	
<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		-	-	-	-	2,246,209	350,206,256	(352,452,465)	-
Total Comprehensive Income		-	-	-	162,940	-	-	8,447,183	<b>8,610,123</b>
<b>Balances as of 31 March 2021</b>	15	<b>970,000,000</b>	<b>(27,346,399)</b>	<b>49,945,096</b>	<b>231,853</b>	<b>54,982,184</b>	<b>1,878,838,918</b>	<b>8,447,183</b>	<b>2,935,098,835</b>
<b>Balances as of 1 January 2022</b>	15	<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>
Transfers		-	-	-	-	3,634,796	374,921,586	(378,556,382)	-
Total Comprehensive Income		-	-	-	-	-	-	49,376,911	<b>49,376,911</b>
Capital Increase	15	510,000,000	(14,378,002)	426,500	-	-	-	-	<b>496,048,498</b>
<b>Balances as of 31 March 2022</b>	15	<b>1,530,000,000</b>	<b>(43,134,006)</b>	<b>50,371,596</b>	<b>61,003</b>	<b>62,422,579</b>	<b>2,196,505,469</b>	<b>49,376,911</b>	<b>3,845,603,552</b>

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



**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY****REVIEWED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD 1 JANUARY – 31 MARCH 2022**

(All amounts expressed in Turkish Lira (TL))

	<b>Notes</b>	<b>Audited 1 January- 31 March 2022</b>	<b>Audited 1 January- 31 March 2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit/(Loss) for the Period</b>		<b>49,376,911</b>	<b>8,447,183</b>
<b>Adjustments to Reconcile Net Profit (Loss) for the Period</b>			
- Adjustments Related to Depreciation and Amortization Expenses	10-11	978,106	887,871
- Adjustments Related to Provisions	12-13	521,931	387,993
- Adjustments Related to Interest Income and Expenses	16-20	(3,735,054)	(2,734,248)
- Adjustments Related to Fair Value Losses/Gains	19	(36,565,000)	-
<b>Changes in working capital</b>			
- Adjustments Related to (Increase) / Decrease in Inventories	6	(47,118,846)	(4,249,364)
- Adjustments Related to (Increase) / Decrease in Trade Receivables		(1,085,080)	1,113,654
- Decrease (Increase) in Prepaid Expenses		8,705,868	2,242,194
- Decrease (Increase) in Other Operating Assets		(34,151,909)	(2,099,637)
- Adjustments Related to Increase / (Decrease) in Trade Payables		67,282,062	(1,287,937)
- Adjustments Related to Increase / (Decrease) in Deferred Income (Excluding Liabilities Arising from Customer Contracts)		23,394,807	529,531
- Adjustments Related to Increase (Decrease) in Other Operating Liabilities		(943,183)	2,558,144
<b>Cash Generated from Operations</b>		<b>26,660,613</b>	<b>5,795,384</b>
Interest Received		4,852,460	2,277,946
		<b>31,513,073</b>	<b>8,073,330</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets	10-11	(1,821,849)	(394,287)
Cash Outflows from Purchase of Investment Properties	9-20	(228,485,491)	(70,876,791)
Cash Inflows from Disposals of Investment Properties	9	3,538,983	17,600,000
		<b>(226,768,357)</b>	<b>(53,671,078)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash Inflows from Borrowings		(790,622,172)	332,733,595
Cash Used for Repayment of Borrowings		957,345,046	(316,105,659)
Cash Inflows from Capital Increase		510,000,000	-
Interest Paid		(46,741,626)	(18,257,005)
		<b>629,981,248</b>	<b>(1,629,069)</b>
<b>NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS</b>			
		<b>434,725,964</b>	<b>(47,226,817)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>			
		<b>53,087,564</b>	<b>49,531,522</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>			
	27	<b>487,813,528</b>	<b>2,304,705</b>

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

## NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

### 1. ORGANIZATION AND OPERATIONS OF THE COMPANY

The main activity of Halk Gayrimenkul Yatırım Ortaklığı AŞ (the “Company”) is to invest in properties, property projects, rights on properties, property related capital market instruments and portfolio including other rights and assets as deem appropriate by the Capital Markets Board of Turkey (“CMB”). The Company and its joint operations and subsidiaries are referred to 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). On 52 March 2022, the capital of the Company was increased to TL 1,530,000,000 with a capital increase of TL 510,000,000.

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

As of 31 March 2022, the number of personnel employed in the Company is 44 (31 December 2021: 42).

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

The Company has applied to the CMB 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 2.500.000.000 TL 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 İstanbul Stock Exchange with HLGYO title as of 22 February 2013.

Within the registered capital ceiling of TL 2,500,000,000, the issued capital of the Company, which is TL 1,020,000,000, was increased by 50%, all in cash, its application to the Capital Markets Board regarding the increase to TL 1,530,000,000 was approved at the meeting of the Capital Markets Board dated 24 February 2022 and numbered 10-282 and announced in the Capital Markets Bulletin dated 24 February 2022 and numbered 2022/10. Bearer shares with a nominal value of TL 510,000,000, with the rights to buy new shares, were made available for 15 days between 2 March 2022 and 16 March 2022 in accordance with the principles set forth in the prospectus. Regarding the increase of the Company's issued capital from TL 1,020,000,000 to TL 1,530,000,000, all cash equivalent, by 50%, within the registered capital ceiling of TL 2,500,000,000, the new version of Article 8 of the Articles of Association titled "Capital and Shares" was approved by the Capital Markets Board on 25 March 2022.

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

## NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

The capital increase is detailed as follows:

<u>Date</u>	<u>Share Capital</u>	<u>Capitalisation</u>	<u>Increase Value</u>	<u>Funds</u>
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
25 March 2022	1,530,000,000	Rights Issue	510,000,000	Rights Issue Cash

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

On 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.

On 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.

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

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

<u>Subsidiary</u>	<u>Type of activity</u>	<u>Main activity fields</u>
Halk Yapı Projeleri Geliştirme A.Ş.	Construction	Real Estate Project Development
<u>Joint operations</u>	<u>Type of activity</u>	<u>Main activity fields</u>
Halk GYO-Vakıf GYO Joint Operation	Construction	Real Estate Project Development
Halk GYO-Erkonut Joint Operation	Construction	Real Estate Project Development
Teknik Yapı-Halk GYO Joint Operation	Construction	Real Estate Project Development

#### Approval of financial statements:

The Board of Directors has approved the financial statements and delegated authority for publishing it on 12 May 2022. The General Assembly has the authority to modify the financial statements.

### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED 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 "Announcement on TFRS Taxonomy" published by POA on 15 April 2019 and with the "Examples of Financial Statements and the User Guide" issued by CMB.

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

### 2.1 Basis of Presentation (cont'd)

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.

#### Preparation of financial statements in hyperinflationary economies

In accordance with the CMB's decision dated 17 March 2005 and numbered 11/367, for companies operating in Turkey and preparing financial statements in accordance with Turkish Accounting Standards, the application of inflation accounting has been terminated as of 1 January 2005. Accordingly, as of 1 January 2005, the standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") has not been applied.

As per the announcement published by the Public Oversight, Accounting and Auditing Standards Authority ("POA") on 20 January 2022, since the cumulative change in the general purchasing power of the last three years has been 74.41% according to the Consumer Price Index ("CPI") rates, it has been stated that entities applying the Turkish Financial Reporting Standards ("TFRS") are not required to make any restatements in their financial statements for 2021 within the scope of TAS 29 "Financial Reporting in High Inflation Economies". In the accompanying financial statements, no inflation adjustment has been made in accordance with TAS 29.

#### Comparative Information and Restatement of Prior Period Financial Statements

Financial statements of the Company 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

The details of the Company's subsidiary as of 31 March 2022 and 31 December 2021 are as follows:

Subsidiaries	Place of incorporation and operation	Functional currency	The Group's shareholding rate and voting power (%)	
			31 March 2022	31 December 2021
Halk Yapı Projeleri Geliştirme A.Ş.	Turkey	Turkish Lira	100%	100%

The consolidated financial statements incorporate the financial statements of the Company and entity controlled by the Company and its subsidiary. 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 power to affect its returns.

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### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

### 2.1 Basis of Presentation (cont'd)

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 Group 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.

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.

This control is considered to exist when decisions regarding the relevant activities require the unanimous consent of the parties sharing control.

In cases where a company carries out its activities within the scope of joint activities, the Company, which carries out joint activities, includes the following in its financial statements in proportion to its share in joint activities.

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

### 2.1 Basis of Presentation (cont'd)

- 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, revenue 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 errors and changes in accounting estimates.

### 2.3 New and Amended Turkish Financial Reporting Standards

#### a) Amendments that are mandatorily effective from 2022

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 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>

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

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

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

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

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

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

#### **Amendments to TAS 16 *Proceeds before Intended Use* (cont'd)**

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.

##### 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.

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

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

Public Oversight Accounting and Auditing Standards Authority (“POA”) has published Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021* that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

The Group assessed that the adoption of these amendments that are effective from 2022 do not have any effect on the Group’s consolidated financial statements.

#### 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 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</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 related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to TFRS 17	<i>Initial Application of TFRS 17 and TFRS 9 — Comparative Information</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 SUBSIDIARY

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

### 2.3 New and Amended Turkish Financial Reporting Standards (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 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, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023 with the deferral of the effective date of TFRS 17.

#### **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 correction 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***

The 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.

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

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

#### ***Amendments to TFRS 17 Insurance Contracts and Initial Application of TFRS 17 and TFRS 9 — Comparative Information***

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before.

Amendments are effective with the first application of TFRS 17.

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

### 2.4 Summary of Significant Accounting Policies

#### **Related Parties**

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

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

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

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

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

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

#### Revenue

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

#### *Sale of real estate*

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

#### *Rental income from real estate leases:*

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

#### *Dividend and interest income:*

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

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

#### *Sale of lands*

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

#### *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 Company 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.

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

### **NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022**

(All amounts expressed in Turkish Lira (TL))

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

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

#### **Inventories**

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

#### **Property, Plant and Equipment**

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

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

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

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

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.

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

#### Leases

##### The Group as Lessee

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

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

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

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

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

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

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

### **NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022**

(All amounts expressed in Turkish Lira (TL))

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

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

#### **Leases (cont'd)**

##### **The Group as Lessee (cont'd)**

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

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

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

The Company 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 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.

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

#### 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.

##### 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. Value in use is the present value of the expected future cash flows from an asset or cash-generating unit. 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.

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

#### Intangible Assets (cont'd)

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.

#### 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.



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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

#### 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.

##### 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.

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

#### Financial Instruments (cont'd)

##### Financial assets (cont'd)

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.

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.

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### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

#### Financial Instruments (cont'd)

##### Financial assets (cont'd)

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.

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

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

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

##### Financial liabilities

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

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

#### Financial Instruments (cont'd)

##### Financial liabilities (cont'd)

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.

##### Recognition and derecognition of financial assets

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

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

#### 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.

#### **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 currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

#### Earnings Per Share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. Hence, weighted average stock share, which is used in the calculation of earnings per share, is acquired by retrospective application of bonus share issue.

#### 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.

#### 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.

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### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

#### Investment Properties (cont'd)

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.

#### Income Taxes

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

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

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

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

#### Deferred tax

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

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

#### **Employee Benefits**

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

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. 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.

#### **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.



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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

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

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

#### *Useful lives of property, plant and equipment*

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

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

The fair values of investment properties are based on valuations, performed by independent valuers using certain estimates and assumptions, who hold recognized and relevant professional qualifications 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 takes the final appreciation value in the independent valuation expert's reports as a basis in determining the 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.

## 3. INTERESTS IN OTHER ENTITIES

### a) Subsidiaries

#### **Halk Yapı Projeleri Geliştirme A.Ş.**

Shareholding of the Group in the subsidiaries is as follows:

	31 March 2022	31 December 2021
Halk Yapı Projeleri Geliştirme A.Ş.	100%	100%

The financial information of Halk Yapı Projeleri Geliştirme A.Ş. is summarized in the tables below.

	31 March 2022	31 December 2021
Halk Yapı Projeleri Geliştirme A.Ş.		
Current assets	11,688,942	10,468,647
Non-current assets	6,776,007	15,282,269
Current liabilities	(9,738,246)	(8,296,116)

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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#### 3. INTERESTS IN OTHER ENTITIES (cont'd)

##### a) Subsidiaries (cont'd)

##### Halk Yapı Projeleri Geliştirme A.Ş. (cont'd)

Halk Yapı Projeleri Geliştirme A.Ş.

	1 January- 31 March 2022	1 January- 31 December 2021
Profit/(loss) for the period	<u>(225,319)</u>	<u>2,705,522</u>

##### b) Joint Operations

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

##### Halk GYO-Vakıf GYO Joint Venture

Halk GYO-Vakıf GYO Joint Venture has been founded in Turkey for operating as a joint operation with 50% shares and 50% voting rights. The 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 March 2022	31 December 2021
Halk GYO-Vakıf GYO Joint Venture	<u>18,025,975</u>	<u>19,177,898</u>
Current assets	2,560,311	4,969,734
Non-current assets	(1,028,107)	(1,027,990)
Current liabilities		

Halk GYO- Vakıf GYO

	1 January- 31 March 2022	1 January- 31 December 2021
Profit for the period	<u>1,275,014</u>	<u>5,027,387</u>

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

#### 3. INTERESTS IN OTHER ENTITIES (cont'd)

##### b) Joint Operations (cont'd)

###### Halk GYO-Erkonut Joint Venture

Halk GYO-Erkonut Joint 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 March 2022	31 December 2021
Halk GYO-Erkonut Joint Venture		
Current assets	1,153,278	1,194,951
Current liabilities	(379,420)	(488,101)
Halk GYO-Erkonut Joint Venture		
	1 January- 31 March 2022	1 January- 31 December 2021
Profit for the period	<u>68,678</u>	<u>487,666</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 March 2022	31 December 2021
Halk GYO&Teknik Yapı Joint Venture		
Current assets	167,213,954	10,468,647
Non-current assets	3,717,897	15,282,269
Current liabilities	(229,171,574)	(8,296,116)
Non-current liabilities	(2,598,470)	(4,897,737)
Halk GYO-Teknik Yapı Joint Venture		
	1 January- 31 March 2022	1 January- 31 December 2021
Profit/(loss) for the period	<u>(2,437,802)</u>	<u>(2,879,582)</u>

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

#### 4. RELATED PARTY DISCLOSURES

Transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

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

	31 March 2022	31 December 2021
<u>Deposits at Halk Bank</u>		
Demand deposits	5,759,137	2,129,931
Time deposits	95,113,956	50,976,883
	<u>100,873,093</u>	<u>53,106,814</u>
<u>Balances with related parties</u>		
Halk Varlık Yönetimi A.Ş. lease certificate issuance (Note 23)	827,864,890	747,962,082
Short-term loans received from Halk Bank	148,560,299	113,177,368
Long-term loans received from Halk Bank	10,649,767	22,928,788
Halk Leasing financial lease agreement (Note 23)	141,963,525	127,871,426
	<u>1,129,038,481</u>	<u>1,011,939,664</u>

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

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

31 March 2022							
Balances with related parties	Receivables		Payables				Prepaid Expenses
	Short-term		Short-term		Long-term		Long-term
	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade
<u>Shareholders</u>							
Halkbank A.Ş.	60	-	-	148,560,299	85,000,000	10,649,767	-
<u>Other companies controlled by main shareholder</u>							
Halk Leasing Finansal Kiralama A.Ş.(*)	-	-	-	68,975,952	-	72,987,573	812,717
Halk Yatırım Menkul Değerler A.Ş.	-	-	442,900	-	-	-	-
Halk Varlık Kiralama A.Ş.	-	-	-	827,864,890	-	-	-
	<u>60</u>	<u>-</u>	<u>442,900</u>	<u>1,045,401,141</u>	<u>85,000,000</u>	<u>83,637,340</u>	<u>812,717</u>
-							
31 December 2021							
Balances with related parties	Receivables		Payables				Prepaid Expenses
	Short-term		Short-term		Long-term		Long-term
	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade
<u>Shareholders</u>							
Halkbank A.Ş.	60	-	10,021	113,177,368	85,000,000	22,928,788	-
<u>Other companies controlled by main shareholder</u>							
Halk Leasing Finansal Kiralama A.Ş.(*)	-	-	-	57,063,382	-	70,808,044	561,536
Halk Varlık Kiralama A.Ş.	-	-	-	747,962,082	-	-	-
	<u>60</u>	<u>-</u>	<u>10,021</u>	<u>918,202,832</u>	<u>85,000,000</u>	<u>93,736,832</u>	<u>561,536</u>

(\* ) The Group signed a contract with Buga Otis Asansör Sanayi ve Ticaret A.Ş. concerning the purchase of the vertical procurement works (lift and escalator) services of Halk Office Towers, which will be built within the scope of the Istanbul International Financial Center project and for the financing of the aforementioned service purchase, the Group also signed a finance lease contract with Halk Finansal Kiralama A.Ş. Assets acquired through financial leasing are accounted for in investment properties, and borrowing costs amounting to TL 11,732,140 have been capitalized due to the principal payment of TL 164,978,002 in 2022 (31 March 2021: borrowing cost of TL 3,936,165).

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

## NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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

	1 January - 31 March 2022					
Transactions with related parties	Interest income	Interest expenses	Foreign exchange expense	Rent income	Other expenses	Finance Expenses / Income Capitalized on Investment Properties (Net)
<u>Shareholders</u>						
Halkbank A.Ş.	(1,476,512)	4,866,260	-	(12,756,668)	-	(9,366,920)
<u>Other companies controlled by the main shareholder</u>						
Halk Varlık Kiralama A.Ş.	-	33,117,155	-	-	-	33,117,155
Halk Leasing Finansal Kiralama A.Ş.	-	1,052,729	10,679,411	-	-	11,732,140
Halk Yatırım Menkul Değ.A.Ş.	-	-	-	-	375,000	375,000
	(1,476,512)	39,036,144	10,679,411	(12,756,668)	375,000	35,857,375

	1 January - 31 March 2021					
Transactions with related parties	Interest income	Interest expenses	Foreign exchange expense	Rent income	Other expenses	Finance Expenses / Income Capitalized on Investment Properties (Net)
<u>Shareholders</u>						
Halkbank A.Ş.	(449,698)	2,959,741	-	(11,267,637)	322,829	(2,303,674)
<u>Other companies controlled by the main shareholder</u>						
Halk Varlık Kiralama A.Ş.	-	12,196,315	-	-	-	(89,729,513)
Halk Leasing Finansal Kiralama A.Ş.	-	306,500	3,629,665	-	-	(13,360,339)
	(449,698)	15,462,556	3,629,665	(11,267,637)	322,829	(105,393,526)

### Compensation of key management personnel:

Key management personnel of the Group comprises members of Board of Directors and members of Execution Committee, General Manager and Deputy General Manager. Compensation of key management personnel comprises salaries, premium, healthcare insurance and transportation. The remuneration of directors and other members of key management during the period is as follows:

	1 January- 31 March 2022	1 January- 31 March 2021
Salaries and other short-term benefits	1,028,115	661,490
	<u>1,028,115</u>	<u>661,490</u>

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

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

	31 March 2022	31 December 2021
<u>Short-term trade receivables</u>		
Trade receivables	2,146,809	1,884,457
Trade receivables from related parties (Note 4)	60	60
Income accruals	1,410,383	473,232
Provision for doubtful receivables (-)	(21,428)	(73,379)
	<u>3,535,824</u>	<u>2,284,370</u>

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

	31 March 2022	31 December 2021
<u>Short-term trade receivables from sale of residences and rental properties</u>		
Sale of residences	865,461	1,316,913
<i>Bizimtepe Aydos project</i>	858,914	1,310,368
<i>Erzurum Şehristan project</i>	6,547	6,545
Rented and sold investment properties (*)	1,281,408	567,604
	<u>2,146,869</u>	<u>1,884,517</u>

(\*) It consists of trade receivables secured by guarantee letters of lease receivables.

As of 31 March 2022, the total of overdue trade receivables (notes) is TL 38,222 (31 December 2021: TL 139,624).

	31 March 2022	31 December 2021
<u>Long-term trade receivables</u>		
Trade receivables (*)	137,811	252,234
Provision for doubtful receivables (-) (*)	(31,240)	(7,254)
	<u>106,571</u>	<u>244,980</u>

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

	31 March 2022	31 December 2021
<u>Long-term trade receivables from sale of residences and rental properties</u>		
Sale of residences	137,811	252,234
<i>Bizimtepe Aydos project</i>	137,811	252,234
	<u>137,811</u>	<u>252,234</u>

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

a) Trade Receivables (cont'd):

	1 January- 31 March 2022	1 January- 31 March 2021
<u>Movement of allowance for doubtful receivables</u>		
Opening balance	(80,633)	(91,040)
Provisions reversed	27,965	33,174
Closing balance	<u>(52,668)</u>	<u>(57,866)</u>

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

b) Trade Payables:

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

	31 March 2022	31 December 2021
<u>Short-term trade payables</u>		
Trade payables	122,371,261	55,522,078
Trade payables to related parties (Note 4)	442,900	10,021
	<u>122,814,161</u>	<u>55,532,099</u>

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

	31 March 2022	31 December 2021
<u>Long-term trade payables</u>		
Trade payables to related parties (Note 4)	85,000,000	85,000,000
	<u>85,000,000</u>	<u>85,000,000</u>

Explanations about the nature and level of risks related to trade payables are provided in Note 4.

#### 6. INVENTORIES

	31 December 2021			Transfer to fixed asset	31 March 2022
<u>Land stocks</u>	<u>Cost value</u>	<u>Addition</u>	<u>Disposal</u>		<u>Cost value</u>
Sancaktepe - Konut Project (1)	1,731,294	-	-	-	1,731,294
İzmir Project (2)	90,101,802	45,936,319	-	-	136,038,121
Kocaeli Dilovası Sanayi Sitesi (3)	7,228,532	1,182,527	-	-	8,411,059
Sakarya Adapazarı Project (6)	85,000,000	-	-	-	85,000,000
<u>Total</u>	<u>184,061,628</u>	<u>47,118,846</u>	<u>-</u>	<u>-</u>	<u>231,180,474</u>



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

Land stocks	31 December			Transfer to fixed asset	31 March
	2020				2021
	Cost value	Addition	Disposal		Cost value
Referans Bakırköy Konut Project (5)	96,507	-	-	-	96,507
Sancaktepe - Konut Project (1)	2,245,932	-	-	-	2,245,932
Erzurum - Şehristan Project (4)	312,601	-	-	-	312,601
İzmir Project (2)	15,523,811	3,912,626	-	-	19,436,437
Kocaeli Dilovası Sanayi Sitesi (3)	-	336,738	-	-	336,738
<b>Total</b>	<b>18,178,851</b>	<b>4,249,364</b>	<b>-</b>	<b>-</b>	<b>22,428,215</b>

<sup>(1)</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 Operation for real estate development project. The main contractor services agreement was signed at 22 October 2015 and the construction permit was granted on 6 November 2015. The Group issued property deeds on 8 February 2019. As of 31.03.2022, no independent section sales were realized among the inventories. As for investment properties, 5 independent sections have been exited, resulting in sales revenue of TL 3,538,983 and cost of sales of TL 2,295,000. The cost of sales includes taxes, duties and fees. (As of 31 December 2021, the delivery of 15 independent sections of the project has been completed. Total sales amount of TL 8,628,831 and TL 2,926,002 have been accounted for as cost of sales. The cost of sales 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 eliminated from inventories and accounted as cost of sales. Cost of sales includes taxes, duties and fees.)

<sup>(4)</sup> As of 24 August 2017, Halk GYO and Teknik Yapı Joint Operation signed a LSRSA contract for a mixed project on the parcels located in İzmir, Konak Province, Umurbey and Kuruçay districts and this amount comprise of the official expenses made for the project. There is no restriction on the land stock. In the scope of the 1st Phase LSRSA contract (Evora İzmir), the building licenses for 486 residences located on Lot no. 8115, Parcel no. 3 (Formerly Lot no. 7700, Parcel no. 1), building licenses for 58 commercial units (Former 451 residences, 1 hotel, 1 cultural center) and 534 residences located on Lot no. 8110, Parcel no 1 (Former Lot no. 7698, Parcel no 1), the building licenses of 38 commercial units, 79 apart hotels (Former 497 residences, 35 commercial, 45 apart hotels, 1 hotel, 3 art galleries) were updated on 11 April 2022. As of 11 April 2022, the total number of independent units, licenses of which are received, is 1,195 (The number of previous independent units with licenses is 1,034). As of 11 April 2022, a preliminary sales contract was signed for 511 independent units. As of 31 March 2022, 511 independent section sales contracts were signed (31 December 2021: 487 independent section sales contracts were signed).

<sup>(3)</sup> Halk Yapı Projeleri Geliştirme A.Ş. established Halk Yapı Projeleri Gelişim AŞ on 15 December 2020 to develop all kinds of real estate projects. The entire capital of the company belongs to Halk GYO. The newly established Halk Yapı Projeleri Gelişim A.Ş. signed a "revenue sharing agreement in return for the sale of land" on 12 February 2021 to develop an Industrial Site Project in Kocaeli Dilovası, with 50% – 50% revenue sharing. The design work of the project is ongoing.

<sup>(5)</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 Company 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 96,507 have been recognized (31 December 2020: transfer of 1 deed, 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.

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

<sup>(6)</sup> The Company and Haldız İnşaat Otomotiv ve Ticaret A.Ş., Faver Proje Gelişim İnşaat Sanayi ve Ticaret A.Ş., and the Company's Parent Bank to which Haldız İnşaat Otomotiv ve Ticaret A.Ş. is owed, have been signed a "Cooperation Protocol" to develop a project on a land with a surface area of 59,314.46 m<sup>2</sup>, located in Sakarya Province, Adapazarı District, Tepekum, Lot no. 4932, Parcel no and sheet number G24B24B4D. According to the agreement, 65% of the revenue to be obtained from this project is owned by Haldız İnşaat Otomotiv ve Ticaret A.Ş. (contractor), 30% by the Parent Company to which Haldız İnşaat Otomotiv ve Ticaret A.Ş. is owed, and 5% by the Company (the Company's share will be (the expected minimum revenue share of TL 30 million). The Company included the land in its portfolio on 30 December 2021. In addition, a revenue sharing contract was signed on 14.01.2022 within the scope of this protocol. The planning of the project is ongoing.

<sup>(3)</sup> Halk Yapı Projeleri Geliştirme A.Ş. established Halk Yapı Projeleri Gelişim AŞ on 15 December 2020 to develop all kinds of real estate projects. The entire capital of the company belongs to Halk GYO. The newly established Halk Yapı Projeleri Gelişim A.Ş. signed a "revenue sharing agreement in return for the sale of land" on 12 February 2021 to develop an Industrial Site Project in Kocaeli Dilovası, with 50% – 50% revenue sharing. The design work of the project is ongoing.

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**7. PREPAID EXPENSES AND DEFERRED INCOME**

	31 March 2022	31 December 2021
<b>Short-Term Prepaid Expenses</b>		
Order advances given	1,098,827	-
Prepaid insurance expenses	61,360	208,499
Other	52,381	52,381
	<u>1,212,568</u>	<u>260,880</u>
<b>Long-Term Prepaid Expenses</b>		
Order advances given	73,733,076	83,313,184
Other	79,286	156,734
	<u>73,812,362</u>	<u>83,469,918</u>
<b>Investment Advances Given</b>		
İstanbul Finans Merkezi project	73,066,644	80,656,680
İzmir Evora project	666,432	2,656,504
	<u>73,733,076</u>	<u>83,313,184</u>
<b>Deferred Residence Sales Income</b>		
İzmir Evora project	117,935,339	94,452,132
Bizimtepe Aydos project	132,648	108,256
Erzurum Şehristan project	244,477	359,153
Bakırköy project	768	768
	<u>118,313,232</u>	<u>94,920,309</u>

**8. LIABILITIES ARISING FROM CUSTOMER CONTRACTS**

	31 March 2022	31 December 2021
<b>Liabilities arising from customer contracts</b>		
Deferred residential income	118,313,232	94,920,309
Advance rents	1,884	-
	<u>118,315,116</u>	<u>94,920,309</u>

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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#### 9. INVESTMENT PROPERTIES

##### Fair value measurement of the Group's investment properties

As of 31 December 2021, the fair value of the Group's investment properties have been determined by Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. which is an appraisal firm not related to the 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 March 2022 and 31 December 2021 are as follows:

	Fair value as of the reporting date			
	31 March	Level 1	Level 2	Level 3
	2022	TL	TL	TL
Land	52,000,000	-	52,000,000	-
Buildings	594,950,000	117,000,000	477,950,000	-
Investment properties under development	<u>3,802,443,228</u>	<u>346,565,000</u>	<u>438,922,500</u>	<u>3,016,955,728</u>
	<u>4,449,393,228</u>	<u>463,565,000</u>	<u>968,872,500</u>	<u>3,016,955,728</u>
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	<u>2,430,590,000</u>	<u>-</u>	<u>36,500,000</u>	<u>2,394,090,000</u>
	<u>4,142,257,500</u>	<u>-</u>	<u>1,086,167,500</u>	<u>3,056,090,000</u>

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

As of 31 March 2022, the total amount of insurance on investment properties is TL 2,199,011,869 (31 December 2021: TL 1,979,880,598). As of 31 March 2022, the total amount of capitalized finance cost on investment properties is TL 299,231,639 (31 December 2021: TL 253,607,419).

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

	31 December 2021				Fair value difference	31 March 2022
<u>Investment properties</u>	Fair value	Addition	Disposal	Transfer		Fair value
İstanbul Salıpaazarı Land	10,000,000	-	-	-	-	10,000,000
İstanbul Beyoğlu Land	30,000,000	-	-	-	-	30,000,000
Erzurum Yakutiye Land	12,000,000	-	-	-	-	12,000,000
<b>Total lands</b>	<b>52,000,000</b>	-	-	-	-	<b>52,000,000</b>
İstanbul Karaköy Building	51,000,000	-	-	-	-	51,000,000
İstanbul Salıpaazarı Building	117,000,000	-	-	-	-	117,000,000
İzmir Konak Building-1	48,000,000	-	-	-	-	48,000,000
Ankara Kızılay Building	30,000,000	-	-	-	-	30,000,000
İstanbul Beşiktaş Building	31,000,000	-	-	-	-	31,000,000
İstanbul Etiler Building	32,000,000	-	-	-	-	32,000,000
İstanbul Şişli Building	28,000,000	-	-	-	-	28,000,000
İzmir Konak Building-2	27,500,000	-	-	-	-	27,500,000
Ankara Başkent Building	18,600,000	-	-	-	-	18,600,000
İstanbul Bakırköy Building	37,000,000	-	-	-	-	37,000,000
Bursa Building	23,400,000	-	-	-	-	23,400,000
Ankara Bahçelievler Building 1	15,900,000	-	-	-	-	15,900,000
Kocaeli Building	19,500,000	-	-	-	-	19,500,000
İstanbul Fatih Building	20,500,000	-	-	-	-	20,500,000
İstanbul Caddebostan Binası	36,500,000	-	-	-	-	36,500,000
Ankara Bahçelievler Building-2	11,250,000	-	-	-	-	11,250,000
İstanbul Ataköy Building	20,250,000	-	-	-	-	20,250,000
İstanbul Caddebostan Building	15,000,000	-	-	-	-	15,000,000
İstanbul Nişantaşı Building	436,500,000	-	-	-	-	436,500,000
Halkbank Finance Tower	350,000,000	-	-	-	-	350,000,000
Levent Hotel	195,000,000	-	-	-	21,980,000	216,980,000
Kocaeli Şekerpınar Office Project	115,000,000	-	-	-	14,585,000	129,585,000
Sakarya Adapazarı Building (New Building)	12,550,000	-	-	-	-	12,550,000
Bizimtepe Aydos T 13 No BB	282,500	-	-	-	-	282,500
Bizimtepe Aydos T 15 No BB	262,500	-	-	-	-	262,500
Bizimtepe Aydos T 16 No BB Haird	410,000	-	-	-	-	410,000
Bizimtepe Aydos T 26 No BB	410,000	-	-	-	-	410,000
Nuts Shop	-	-	(410,000)	-	-	-
Bizimtepe Aydos T 25 No BB	410,000	-	-	-	-	410,000
Pharmacy	-	-	(410,000)	-	-	-
Bizimtepe Aydos T 23-24 No	-	-	-	-	-	-
BBReal Estate Agency	1,315,000	-	(1,315,000)	-	-	-
Bizimtepe Aydos T 39	-	-	-	-	-	-
Bizimtepe Aydos T 40	160,000	-	(160,000)	-	-	-
Bizimtepe Aydos T 41-42-43-44	605,000	-	-	-	-	605,000
No BB Gift Shop	-	-	-	-	-	605,000
Bizimtepe Aydos T 27-28 No BB	-	-	-	-	-	-
Real Estate Agency	-	-	-	-	-	-
Bizimtepe Aydos T 14 No BB Real Estate Agency	282,500	-	-	-	-	282,500
Bizimtepe Aydos T 29-30-31-32	-	-	-	-	-	-
No BB Real Estate Agency	580,000	-	-	-	-	580,000
<b>Total buildings</b>	<b>1,696,167,500</b>	-	<b>(2,295,000)</b>	-	<b>36,565,000</b>	<b>1,730,437,500</b>
İstanbul International Finance Center Project	2,394,090,000	272,865,728	-	-	-	2,666,955,728
<b>Total investment properties under development</b>	<b>2,394,090,000</b>	<b>272,865,728</b>	-	-	-	<b>2,666,955,728</b>
<b>Total</b>	<b>4,142,257,500</b>	<b>272,865,728</b>	<b>(2,295,000)</b>	-	<b>36,565,000</b>	<b>4,449,393,228</b>

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

Investment Properties	Acquisition Date	Acquisition Amount	Appraisal Method	Appraisal Date	Appraisal Value	Leases	Rent Income (2022) (TL)	Direct operating/ maintenance expenses (2022) (TL)	Rent Income (2021) (TL)	Direct operating/ maintenance expenses (2021) (TL)
Istanbul Salıpazarı Land	26 January 2018	5,178,343	Comparable Sales Approach	29 November 2021	10,000,000		-	-	-	-
Erzurum Yakutiye Land 1	30 September 2019	10,047,000	Comparable Sales Approach	30 November 2021	12,000,000		-	-	-	-
Istanbul Beyoğlu Land 6	28 October 2010	12,000,000	Comparable Sales Approach	15 December 2021	30,000,000		-	-	-	1,694
Erzurum Palandöken Land 2	5 September 2019	4,455,000	Comparable Sales Approach	-	-		-	-	-	-
Sakarya Adapazarı Building 3	28 October 2010	5,960,000	Comparable Sales Approach	-	-		-	-	-	-
<b>Total lands</b>		<b>37,640,343</b>			<b>52,000,000</b>					<b>1,694</b>
Ankara Bahçelievler Building 1	28 October 2010	6,681,356	Comparable Sales Approach	30 November 2021	15,900,000	Halk Bankası A.Ş.	281,016	502	240,000	685
Ankara Bahçelievler Building 2 4	28 October 2010	5,684,746	Comparable Sales Approach	30 November 2021	11,250,000	İpekyol Giyim Sanayi Pazarlama ve Ticaret A.Ş.	165,464	290	146,196	386
Ankara Başkent Building	28 October 2010	9,541,729	Revenue Discount Method	29 November 2021	18,600,000	Ceda Akaryakıt İnş. Emlak Tur. Ltd Şti, Halkbank A.Ş.	414,452	2,358	357,000	3,450
Ankara Kızıl Building	28 October 2010	12,475,237	Comparable Sales Approach	3 December 2021	30,000,000	Halk Bankası A.Ş.	544,469	2,422	465,000	3,216
Ataşehir Finance Tower	12 January 2012	126,548,795	Comparable Sales Approach	16 December 2021	436,500,000	Halk Bankası A.Ş.	5,145,000	60,181	4,668,000	47,831
Bursa Building	28 October 2010	8,500,000	Comparable Sales Approach	1 December 2021	23,400,000	Halk Bankası A.Ş.	421,524	34,157	360,000	3,259
Istanbul Ataköy Building	28 October 2010	5,061,500	Comparable Sales Approach	30 November 2021	20,250,000	Halk Bankası A.Ş.	333,707	2,494	285,000	2,087
Istanbul Bakırköy Building	28 October 2010	9,023,500	Comparable Sales Approach	30 November 2021	37,000,000	Halk Bankası A.Ş.	597,159	3,009	510,000	26,932
Istanbul Beşiktaş Building	27 October 2010	11,893,840	Comparable Sales Approach	30 November 2021	31,000,000	Halk Bankası A.Ş.	509,342	1,596	435,000	1,333
Istanbul Etiler Building	27 October 2010	11,000,000	Comparable Sales Approach	30 November 2021	32,000,000	Halk Bankası A.Ş.	425,037	30,914	363,000	859
Istanbul Fatih Building	28 October 2010	6,380,000	Comparable Sales Approach	30 November 2021	20,500,000	Halk Bankası A.Ş.	284,529	1,706	243,000	1,348
Istanbul Karaköy Building 5	2 November 2010	23,500,000	Comparable Sales Approach	8 November 2021	51,000,000	Halk Bankası A.Ş.	-	15,376	-	1,758
Istanbul Nişantaşı Building 22	2 November 2010	5,000,000	Comparable Sales Approach	28 December 2021	15,000,000	Halk Bankası A.Ş.	235,351	245	201,000	335
Istanbul Salıpazarı Building	28 October 2010	38,050,960	Revenue Discount Method	10 December 2021	117,000,000	Sapaz Oteliçlik Turizm İnşaat Sanayi Ve Ticaret A.Ş.	2,379,577	21,120	855,000	17,683
Istanbul Şişli Building	2 November 2010	11,000,000	Comparable Sales Approach	1 December 2021	28,000,000	Halk Bankası A.Ş.	432,062	2,920	369,000	32,115
İzmir Konak Building-1	2 November 2010	13,400,000	Comparable Sales Approach	1 December 2021	48,000,000	Halk Bankası A.Ş.	64,966	15,027	273,546	5,826
İzmir Konak Building-2	2 November 2010	10,290,000	Comparable Sales Approach	2 December 2021	27,500,000	Halk Bankası A.Ş.	164,919	21,105	178,368	360,392
Kocaeli Building	28 October 2010	6,519,193	Comparable Sales Approach	29 November 2021	19,500,000	Halk Bankası A.Ş.	351,270	2,425	300,000	1,557
Kocaeli Şekerpınar A Blok	11 September 2012	67,860,443	Revenue Discount Method	24 March 2022	216,980,000	Halk Bankası A.Ş.	2,538,496	70,250	2,232,626	67,262
Kocaeli Şekerpınar B Blok6	11 September 2012	39,830,221	Revenue Discount Method	24 March 2022	129,585,000	-	-	195,919	-	133,733
Levent Hotel Building 18	3 November 2010	91,186,481	Revenue Discount Method	3 December 2021	350,000,000	Caba İnşaat Enerji Tur. San. ve Tic. A.Ş.	4,971,301	51,932	-	45,082
Sakarya Adapazarı Building-23	15 January 2021	10,200,000	Comparable Sales Approach	3 December 2021	12,550,000	Halk Bankası A.Ş.	132,756	1,401	93,097	14,283
Istanbul Caddebostan Building21	3 November 2010	6,300,000	Comparable Sales Approach	1 December 2021	36,500,000	-	-	1,854	-	-
Bizintepe Aydos T 1-2-3 No BB Nursery7	10 April 2019	1,462,550	Comparable Sales Approach	-	-	Yakın Ufuklar Eğitim Kurumları A.Ş.	-	-	47,767	4,683
Bizintepe Aydos T 13 No BB 9	23 May 2019	103,601	Comparable Sales Approach	30 December 2021	282,500	Real Person	3,750	267	2,987	300
Bizintepe Aydos T 14 No BB Real Estate Agency 16	10 April 2019	103,601	Comparable Sales Approach	30 December 2021	282,500	Real Person	3,301	129	2,763	297
Bizintepe Aydos T 15 No BB20	27 August 2021	145,966	Comparable Sales Approach	30 December 2021	262,500	Demirbey İnşaat Tic.İd.Şti.	4,500	45	-	-
Bizintepe Aydos T 16 No BB 10	10 June 2019	106,997	Comparable Sales Approach	30 December 2021	410,000	Demirbey İnşaat Tic.İd.Şti.	4,500	153	3,459	391
Bizintepe Aydos T 17-18-19-20-21-22 No BB8	16 April 2019	799,931	Comparable Sales Approach	-	-	Mopaş Marketçilik Gıda San. ve Tic. A.Ş.	-	-	55,027	1,947
Bizintepe Aydos T 23-24 No BB 13	30 October 2019	323,378	Comparable Sales Approach	-	-	Arge Emlak ve Emlak Yönetimi A.Ş.19, Migros Ticaret A.Ş.	15,750	1,402	14,200	1,041
Bizintepe Aydos T 25 No BB 12	1 October 2019	134,490	Comparable Sales Approach	-	-	Real Person	4,613	583	4,638	361
Bizintepe Aydos T 26 No BB 11	19 September 2019	135,420	Comparable Sales Approach	-	-	Arge Emlak ve Emlak Yönetimi A.Ş.19,Real Person	4,638	584	3,000	363
Bizintepe Aydos T 27-28 No BB15	27 March 2020	92,250	Comparable Sales Approach	-	-	Arge Emlak ve Emlak Yönetimi A.Ş.19	-	-	750	334
Bizintepe Aydos T 29-30-31-32 No BB 17	27 April 2020	181,305	Comparable Sales Approach	30 December 2021	580,000	Arge Emlak ve Emlak Yönetimi A.Ş.19	-	57	6,430	80
Bizintepe Aydos T 39-40-41-42-43-44 Nolu BB14	22 Kasım 2019	288,565	Emsal Karşılaştırma Yöntemi	30 Aralık 2021	605,000	Meşgalem Hediye San. A.Ş.,Yağmuroğlu Plastik San.ve Tic. Ltd.Şti.	5,625	278	1,500	1,029
<b>Total buildings</b>		<b>539,806,054</b>			<b>1,730,437,500</b>		<b>20,439,073</b>	<b>542,702</b>	<b>12,717,354</b>	<b>782,238</b>
Istanbul Finance Center Project	28 October 2010	229,846,920	Cost Method	23 December 2021	2,666,955,728		-	-	-	-
<b>Total investment properties under development</b>		<b>229,846,920</b>			<b>2,666,955,728</b>					
<b>Total</b>		<b>807,293,318</b>			<b>4,449,393,228</b>		<b>20,439,073</b>	<b>542,702</b>	<b>12,717,354</b>	<b>783,932</b>

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

## NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

### 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.firm to Halk GYO A.Ş on 30.09.2019 .
- 2- Erzurum Palandöken Lands were transferred to Er Konut İnş.Taah. İnşaat Mlz. Nakliye ve Mad. Tic.San. A.Ş.firm on 28.05.2021.
- 3- At the end of the process of determining the Sakarya Adapazarı Building as a risky structure, the building was demolished and converted into land and classified as land in the financial statements. In response to the inclusion of the land "Sakarya Adapazarı Building-2" in the portfolio, it was transferred to Adapazarı Municipality on 15.01.2021 in clearing procedure.
- 4- The lease agreement of İstanbul Beyoğlu Building with T. Halk Bankası AŞ has expired as of 15.02.2020. A lease agreement including the renewal of the building was signed with Taksim Investment Gayrimenkul AŞ on 22.10.2020. The building was demolished to be reconstructed and was registered in the land registry as "Land" on 02.12.2021. After obtaining the necessary construction permits for the reconstruction of the building, rental income will begin to be obtained 20 months later.
- 5- İstanbul Karaköy Building lease agreement has expired as of 23 October 2017. A new lease agreement was signed with Halk Bankası A.Ş. for the building on 31.12.2021. After the restoration of the building by the Tenant in 2022, rental income will begin to be obtained.
- 6- Marketing activities are continuing for Kocaeli Şekerpınar B Block Building.
- 7- Bizimtepe Aydos T Blok Independent Sections (Nursery) No. 01,02,03 were leased to Yakın Ufuklar Eğitim Kurumları A.Ş. on 10.04.2019, while the related independent sections were transferred to Aydın Aydın Telif Hakları Marka Patent Ltd. Şti. on 30.12.2021.
- 8- Bizimtepe Aydos Ticaret Blok Independent Sections (Market) No. 17,18,19,20,21,22 were leased to Mopaş Marketçilik Gıda San ve Tic A.Ş. on 16.04.2019, while the related independent sections were sold to Real Persons on 29.09.2021.
- 9- The lease agreement made with the real person tenant of Bizimtepe Aydos Ticaret Blok No. 13 Independent Section has expired as of 30.04.2021, and a new lease agreement has been signed with Nefes Global İnş.Dan.Hizm.San.Tic.Ltd.Şti. on 15.09.2021. As of 15.10.2021, rental income will begin to be obtained.
- 10- The lease agreement made with the real person tenant of Bizimtepe Aydos Ticaret Blok No.16 Independent Section has expired on 31.08.2021. A new lease agreement has been signed with Demirbey İnşaat Tic.Ltd.Şti. to be effective as of 01.09.2021
- 11- The lease agreement signed with Arge Emlak ve Emlak Yönetim A.Ş., the tenant of Bizimtepe Aydos Ticaret Blok No. 26 Independent Section, has expired as of 28.02.2021. While the vacant independent section was leased to a Real Person as of 01.05.2021, it was transferred to a Real Person on 16.03.2022.
- 12- Bizimtepe Aydos Ticaret Blok No. 25 Independent Section was leased to a Real Person on 01.10.2019 and transferred to a Real Person on 17.03.2022.
- 13- Bizimtepe Aydos Ticaret Blok No. 23,24 The Lease Agreement signed with Arge Emlak ve Emlak Yönetim A.Ş. for the Independent Sections expired on 30.11.2021, while it was leased with Migros Ticaret A.Ş. on the same date for the related independent sections, it was transferred to İmpo İmar AŞ on 21.03.2022.
- 14- The lease agreement made with Meşgalem Gift Sanayi A.Ş., tenant of Bizimtepe Aydos Ticaret Blok No. 39,40,41,42,43,44 Independent Sections, expired on 12.03.2021. A new lease agreement was signed on 01.10.2021 for the Independent Sections of Bizimtepe Aydos Ticaret Blok 42,43,44 and the Independent Section No. 40 was transferred to a Real Person on 18.03.2022.
- 15- The lease agreement made with Arge Emlak ve Emlak Yönetim A.Ş., the tenant of Bizimtepe Aydos Ticaret Blok No. 27,28 Independent Sections, has expired as of 31.01.2021. Related independent sections were transferred to Real Person on 10.12.2021 and 20.12.2021.
- 16- The lease agreement signed with Habitat Gayrimenkul İnş.Eml.Eğit. Danış.ve Paz. Tic. AŞ, tenant of Bizimtepe Aydos Ticaret Blok No.14 Independent Section, expired on 31.01.2021 and the independent sections were leased to Real Persons as of 01.02.2021.
- 17- The lease agreement made with Arge Emlak ve Emlak Yönetim A.Ş., tenant of Bizimtepe Aydos Ticaret Blok No. 29,30,31,32 Independent Sections, expired on 31.01.2021.
- 18- The lease agreement with Dedeman Turizm Yönetim AŞ for the Levent Hotel Building was terminated as of 31 December 2020 and a lease agreement was signed with Caba İnşaat Enerji Tur. San. ve Tic. A.Ş. to start in 2021. The renovation process of the building ended on 01.10.2021 and rental income began to be obtained.
- 19- Tenant Akatlı Grup Gayrimenkul İnş San ve Dış Tic Ltd Şti changed its title and started to use the title of Arge Real Estate and Real Estate Management A.Ş.
- 20- Bizimtepe Aydos Trade Blok No. 15 Independent Sections were leased to Demirbey İnşaat Tic.Ltd.Şti. on 01.09.2021.
- 21- Following the completion of the Caddebostan Urban Transformation Project and the receipt of the condominium title deeds of the building on 08.07.2021, the related project has been classified as a building as of this date. Marketing activities of the building is ongoing.
- 22- The İstanbul Nişantaşı building was transferred to Halk Yapı Projeleri Geliştirme AŞ, the subsidiary of the company, on 28.12.2020.

### Operating leases

#### The Group as lessor

The Group has signed operating leases with Halkbank, Ceda Akaryakıt Turizm, Sapaz Otelcilik Turizm, Caba İnşaat Otelcilik, İpekyol Giyim, Yakın Ufuklar Eğitim, Mopaş Marketçilik, Akatlı Group and 4 real people. As of 31 March 2022 and 31 December 2021, annual minimum lease amounts concerning the remaining lease terms are as follows:

Operating leases	31 March 2022	31 December 2021
Less than one year	80,730,545	69,865,544
Between one and five years	193,910,640	227,943,482
More than five years	234,097,568	242,228,386
	<u>508,738,754</u>	<u>540,037,412</u>

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY****NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2022**

(All amounts expressed in Turkish Lira (TL))

**10. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost Value</b>	<b>Furniture and fixture</b>	<b>Leashold improvements</b>	<b>Right-of use assets (*)</b>	<b>Total</b>
Opening balance as of 1 January 2022	4,359,130	5,724,534	3,642,390	13,726,054
Additions	1,346,883	938	438,011	1,785,832
Disposals	-	-	-	-
Closing balance as of 31 March 2022	<u>5,706,013</u>	<u>5,725,472</u>	<u>4,080,401</u>	<u>15,511,886</u>

<b>Accumulated Depreciation</b>				
Opening balance as of 1 January 2022	(1,974,949)	(5,223,206)	(2,346,074)	(9,544,229)
Charge for the period	(172,148)	(501,125)	(277,869)	(951,142)
Disposals	-	-	-	-
Closing balance as of 31 March 2022	<u>(2,147,097)</u>	<u>(5,724,331)</u>	<u>(2,623,943)</u>	<u>(10,495,371)</u>
Net carrying value as of 31 March 2022	<u>3,558,916</u>	<u>1,141</u>	<u>1,456,458</u>	<u>5,016,515</u>

<b>Cost Value</b>	<b>Furniture and fixture</b>	<b>Leashold improvements</b>	<b>Right-of use 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 March 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 March 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 March 2021	<u>2,384,181</u>	<u>501,328</u>	<u>1,296,316</u>	<u>4,181,825</u>

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

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

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

Depreciation expenses of TL 615,894 (31 March 2021: TL 570,956) have been charged in marketing expenses and TL 335,721 (31 March 2021: TL 298,676) have been charged in general administrative expenses.



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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

#### 11. INTANGIBLE ASSETS

<u>Cost Value</u>	<u>Other Intangible Assets</u>
Opening balance as of 1 January 2022	1,633,024
Additions	36,017
Closing balance as of 31 March 2022	<u>1,669,041</u>
<u>Accumulated Amortization</u>	
Opening balance as of 1 January 2022	(845,629)
Charge for the period	(26,964)
Closing balance as of 31 March 2022	<u>(872,593)</u>
Net carrying value as of 31 March 2022	<u>796,448</u>
<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 March 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 March 2021	<u>(845,629)</u>
Net carrying value as of 31 March 2021	<u>787,395</u>

Amortization expenses of TL 26,964 (31 March 2021: TL 18,239) 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 March 2022 and 31 December 2021, the Group has no provision for lawsuits.

##### b) Collateral, Pledge and Mortgage

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

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

i) For their own corporate identities

ii) In favour of fully consolidated subsidiaries

iii) In favour of 3rd parties in the normal course of their operations.

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

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

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

There is 1 execution file opened and ongoing by Halk GYO-Vakif GYO Ordinary Partnership. In addition, there are 27 consumer lawsuits, 2 lawsuits in magistrates' courts, 1 enforcement proceeding file and 1 enforcement law court file against Halk GYO-Vakif GYO Joint Venture. In addition, there are 1 magistrate court case and 1 consumer arbitration board application that has been concluded in favor of Halk GYO-Vakif GYO Joint Venture. As a result of the evaluations of the lawyers regarding the relevant cases, no provision has been made for the lawsuit.

There is no consumer lawsuit filed by Halk GYO-Er Housing Joint Venture. In addition to, there is 1 consumer lawsuit initiated and ongoing against Joint Venture, which is heard in the civil court of first instance. As a result of the evaluations of the lawyers regarding the relevant cases, no provision has been made for the lawsuit.

As of 31 March 2022, within the scope of Teknik Yapı-Halk GYO Joint Operations İzmir Project and the Revenue Sharing in return for the Land Sale of İzmir Konak 1st Stage, a letter of guarantee of TL 104,491,930, and a letter of assignment of TL 364,000,000 were given to T.Halk Bankası A.Ş. by the partnership.

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

**NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 MARCH 2022**

(All amounts expressed in Turkish Lira (TL))

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

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

	31 March 2022	31 December 2021
A. CPMs Given for Company's Own Legal Personality		
	345,018,967	344,570,109
-Collateral	195,018,967	194,570,109
-Pledge	-	-
-Mortgage	150,000,000	150,000,000
B. CPMs Given on Behalf of Fully Consolidated Companies		
	1,239,965,750	-
-Collateral	1,239,965,750	-
-Pledge	-	-
-Mortgage	-	-
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties		
	235,387,637	237,067,888
-Collateral	235,387,637	237,067,888
-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>1,820,372,354</b>	<b>581,637,997</b>

A. CPMs Given for Company's Own Legal Personality	Project	CPM Type	31 March 2022	31 December 2021
İller Bankası A.Ş.	İstanbul Finance Center	Letter of Guarantee	192,907,862	192,907,862
Halk Bankası A.Ş.	Halkbank Finance Tower	Mortgage	150,000,000	150,000,000
T.C. İstanbul Büyükşehir Belediyesi	Levent Hotel	Letter of Guarantee	1,534,279	1,397,158
T.C. İstanbul 27. İcra Dairesi	Bizimtepe Aydos	Letter of Guarantee	163,266	163,266
T.C. İstanbul 18. İcra Dairesi	Bizimtepe Aydos	Letter of Guarantee	120,000	-
T.C. İstanbul 6. İcra Dairesi	Bizimtepe Aydos	Letter of Guarantee	115,116	-
T.C. İstanbul 7. İcra Dairesi	Bizimtepe Aydos	Letter of Guarantee	76,621	-
T.C. İzmir 23. İcra Dairesi	Bizimtepe Aydos	Letter of Guarantee	61,076	61,076
T.C. İstanbul 28. İcra Dairesi	İzmir project	Letter of Guarantee	40,747	40,747
			<u>345,018,967</u>	<u>344,570,109</u>

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

(All amounts expressed in Turkish Lira (TL))

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

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

31 March 2022

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 (*)	-	1,115,445	662,565,000	331,282,500	1,602,735	557,723
Halk GYO-Er Konut Joint Venture (**)	-	1,167,900	180,000,000	90,000,000	1,637,983	583,950
Teknik Yapı-Halk GYO Joint Venture (***)	104,491,930	364,000,000	-	-	-	234,245,965
<b>Total</b>	<b>104,491,930</b>	<b>366,283,345</b>	<b>842,565,000</b>	<b>421,282,500</b>	<b>3,240,718</b>	<b>235,387,637</b>

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

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

(\*\*\*) As of 31 March 2022, within the scope of Teknik Yapı-Halk GYO Joint Operations İzmir Project and the Revenue Sharing in return for the Land Sale of İzmir Konak 1st Stage, a letter of guarantee of TL 104,491,930, and a letter of assignment of TL 364,000,000 were given to Halk Faktoring AŞ by the partnership.

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>

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

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(All amounts expressed in Turkish Lira (TL))

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

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

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

	31 March 2022	Equity Rate	31 December 2021	Equity Rate
A. CPMs Given for Company's Own Legal Personality	345,018,967	8.97%	344,570,109	10.44%
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties				
<i>Halk GYO-Vakıf GYO Joint Venture (*)</i>	<i>1,239,066</i>	<i>0.03%</i>	<i>-</i>	<i>0%</i>
<i>Halk GYO-Er Konut Joint Venture (**)</i>	<i>583,950</i>	<i>0.02%</i>	<i>583,950</i>	<i>0.02%</i>
<i>Teknik Yapı-Halk GYO Joint Venture (***)</i>	<i>234,245,965</i>	<i>6.09%</i>	<i>235,926,216</i>	<i>7.15%</i>

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

As of 31 March 2022 and 31 December 2021, Group's guarantee letters and notes received are as follows:

Collateral, Pledge and Mortgage Received	Project	CPM Type	31 March 2022	31 December 2021
YDA İnşaat San. ve Tic. A.Ş.	İstanbul Finance Center	Letter of guarantee	112,292,900	112,292,900
Buga Otis Asansör San.ve Tic.A.Ş.	İstanbul Finance Center	Letter of guarantee	64,299,269	59,566,104
Caba İnşaat Enerji Turizm San. ve Tic. A.Ş.	Levent Hotel (lessee)	Letter of guarantee	14,160,000	14,160,000
Sapaz Otelcilik Turizm İnşaat Sanayi Ve Ticaret A.Ş.	İstanbul Salıpaazarı (lessee)	Letter of guarantee	10,233,361	10,233,361
Barankaya Zemin Müh.İnş.Taah.Nakl.San.Ve Tic.A.Ş.	İzmir Evora	Collateral bill	9,601,884	9,472,509
Taksim Yatırım Gayrimenkul A.Ş.	Beyoğlu Leasing Agreement	Letter of guarantee	5,594,720	5,594,720
Barankaya Zemin Müh.İnş.Taah.Nakl.San.Ve Tic.A.Ş.	İzmir Evora	Letter of guarantee	3,296,289	3,258,789
UCD Yapı A.Ş.	İzmir Evora	Collateral bill	1,878,588	1,878,588
Haldız İnşaat Otomotiv ve Tic.A.Ş.	Bizimtepe Aydos	Letter of guarantee	1,550,463	1,550,463
Entegre Proje Yönetim Dan.Müh.Tic.A.Ş.	İstanbul Finance Center	Letter of guarantee	1,326,617	1,326,617
Villa Yapı Mühendislik San Ve Tic. Ltd.Şti	İzmir Evora	Letter of guarantee	980,000	-
Teknik Yapı Proje A.Ş.	İzmir Evora	Collateral bill	746,045	746,045
Aslanoğlu Altyapı Ve Üst Yapı A.Ş.	İzmir Evora	Collateral bill	733,900	733,900
Kaf Ve İzmir Zemin Joint Venture	İzmir Evora	Collateral bill	714,365	714,365
İpekyol Giyim Sanayi Pazarlama ve Ticaret A.Ş.	Ankara Bahçelievler (lessee)	Letter of guarantee	350,000	350,000
Sigma Mühendislik Hizm.Dek.İnş.Ltd.Şti.	Kocaeli Dilovası Industry Area	Letter of guarantee	339,010	339,010
Aktuna Ahşap San. Ve Tic.Ltd.Şti.	İzmir Evora	Collateral bill	207,638	207,638
Ceda Akaryakıt İnşaat Emlak Tur.Tic.Ltd.Şti.	Ankara Başkent (lessee)	Letter of guarantee	200,000	200,000
Duru Peyzaj Günseli Özdil	İzmir Evora	Collateral bill	191,875	191,875
Küp Proje Mimarlık Dan.İnş.San.ve Tic.Ltd.Şti.	Kocaeli Dilovası Industry Area	Letter of guarantee	174,000	-
Manevra Otomotiv Petrol Tarım Tur.Gıda İnş. Taah.San.Ve Tic.Ltd.Şti.	İzmir Evora	Collateral bill	139,725	139,725
Softeconomics Yazılım ve Danışmanlık Anonim Şirketi	Center Services Agreement	Letter of guarantee	122,340	-
Aydoğan Dış Ticaret Anonim Şirketi	Car rental	Letter of guarantee	73,635	73,635
Bilkay İnsan Kay.Eğt.Dan.Ltd.Şti.	Center Services Agreement	Letter of guarantee	70,000	70,000

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

As of 31 March 2022 and 31 December 2021, Group's guarantee letters and notes received are as follows:

Collateral, Pledge and Mortgage Received	Project	CPM Type	31 March 2022	31 December 2021
Umut Utku Celep (Geoteknik Tasarım Ve Danışmanlık)	İzmir Evora	Collateral bill	54,910	-
Jeodinamik Yer Bilimleri Müh. İnş. San Tic Ltd Şti	İzmir Evora	Collateral bill	51,553	-
Arma Makine Elekt.İnşaat San.Tic.Ltd.Şti	İzmir Evora	Letter of guarantee	50,000	-
Aktif Taah. İnş.Elek.Nak.Turz.San.Tic.Ltd.Şti.	İzmir Evora	Collateral bill	42,435	42,435
Tan Oto Motorlu Araçlar Taşımacılık ve İnş. Tic. Ltd.Şti.	Car rental	Letter of guarantee	35,880	33,239
Armi Maket Arif Ünlü	İzmir Evora	Collateral bill	30,000	-
Özgün Mühendislik İnş. Taah. San. Ve Tic.Ltd.Şti.	İzmir Evora	Letter of guarantee	23,700	-
Zeha Mekanik Tesisat Müh.Hav.Sis.İNŞ.Taah.San.Ve Tic.Ltd.Şti.	İzmir Evora	Collateral bill	20,493	20,493
Migros Ticaret A.Ş.	Bizimtepe Aydos (lessee)	Letter of guarantee	18,585	-
Burcum Peyzaj İnşaat Turizm San Ltd Şti	İzmir Evora	Collateral bill	16,815	-
Aktif Taah. İnş.Elek.Nak.Turz.San.Tic.Ltd.Şti.	İzmir Evora	Letter of guarantee	12,300	12,300
Armi Maket Arif Ünlü	Kocaeli Dilovası Industry Area	Letter of guarantee	11,700	-
Ulaştırma Proje Yönetim İnş.İth.Ve Tic.Ltd.Şti.	İzmir Evora	Collateral bill	5,000	-
Dedeman Turizm Yönetimi A.Ş.	Levent Hotel (lessee)	Letter of guarantee	-	3,000,000
Özbüker Hafriyat İnş. Tur. San. Ve Tic. Ltd. Şti	İzmir Evora	Letter of guarantee	-	35,286
İsmail Serhan Kocabaş	İzmir Evora	Letter of guarantee	-	5,400
			<u>229,649,997</u>	<u>226,249,397</u>

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(All amounts expressed in Turkish Lira (TL))

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

	31 March 2022	31 December 2021
Provision for employee premiums	2,820,404	1,404,213
Provision for unused vacation	332,496	1,395,173
	<u>3,152,900</u>	<u>2,799,386</u>

**Long-term provisions for employee benefits**

	31 March 2022	31 December 2021
Provision for employment termination benefits	1,390,958	1,292,061
	<u>1,390,958</u>	<u>1,292,061</u>

**Provision for retirement pay liability:**

The movements of provision for retirement pay liability in the accounting periods for the years ended with 31 March 2022 and 31 December 2021, are as follows:

	1 January- 31 March 2022	1 January- 31 March 2021
Provision as of 31 December	1,292,061	817,067
Service cost	184,954	448,918
Interest cost	11,428	33,986
Actuarial loss/gain	(97,485)	(7,910)
Provision as of 31 December	<u>1,390,958</u>	<u>1,292,061</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 10,849 for each period of service as of 31 March 2022 (31 December 2021: TL: 8,284.51).

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



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

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#### 13. EMPLOYEE BENEFITS (cont'd)

##### Provision for retirement pay liability (cont'd):

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 March 2022, the provision has been calculated by estimating the present value of the future probable obligation of the Company 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 2021: 3.87%) 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 March 2022	31 December 2021	
<u>Other Current Assets</u>			
Deferred VAT	70,899,061	37,196,410	
Deposits and guarantees given	159,214	112,732	
Business advances given	33,728	6,256	
Other	5,638,801	5,428,053	
	<u>76,730,804</u>	<u>42,743,451</u>	
	31 March 2022	31 December 2021	
<u>Other Non-Current Assets</u>			
Deferred VAT (**)	64,085,748	64,085,748	
	<u>64,085,748</u>	<u>64,085,748</u>	
	31 March 2022	31 December 2021	
(*) Detail of Deferred VAT			
	Project		
Halk GYO-Vakıf GYO Joint Venture	Bizimtepe Aydos	15,202,942	19,013,881
Halk GYO-Erkonut Joint Venture	Erzurum Şehristan	1,116,155	4,417,144
Halk GYO-Teknik Yapı Ortaklığı	İzmir Evora	26,255,517	4,052,360
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	İFM	-	-
Halk GYO		25,719,597	
Halk Yapı Projeleri Geliştirme A.Ş.		2,605,524	2,250,939
		<u>70,899,736</u>	<u>29,734,324</u>

(\*\*) As of 31 March 2022, the VAT balance of Halk GYO amounting to TL 64,085,748 is recognized under other non-current assets since it is long-term (31 December 2021: TL 64,085,748).

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

	31 March 2022	31 December 2021
<u>Other Current Liabilities</u>		
Deposits and guarantees received(*)	25,494,263	19,767,376
Taxes and funds payable	11,851,220	4,699,812
Other miscellaneous debts and liabilities	646,240	418,731
	<u>37,991,723</u>	<u>24,885,919</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 March 2022 and 31 December 2021, the share capital held is as follows:

Shareholders	Group	%	31 March		31 December	
			2022	%	2021	
Halkbank	A	1.58	24,175,104	1.58	16,116,736	
Halkbank(*)	B	70.38	1,076,847,930	70.38	717,898,620	
Halk Yatırım Menkul Değerler A.Ş.	A	0.04	577,358	0.04	384,905	
Halk Finansal Kiralama AŞ	A	<0,01	2	<0,01	2	
Publicly traded	B	28.00	428,399,605.39	28.00	285,599,737.00	
Nominal capital		100	1,530,000,000	100	1,020,000,000	
Total capital			<u>1,530,000,000</u>		<u>1,020,000,000</u>	

(\*) As of 31 March 2022, Türkiye Halk Bankası A.Ş. has 112,674,853.336 nominal shares and Halk GYO A.Ş. has 43,134,006.462 nominal shares as of 31 March 2022 (31 December 2021: 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; 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.

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

### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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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 prior years' profit.

On 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.

On 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.

On 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.

On 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.

On 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.

On 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.

On 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.

On 25 March 2022, the Company increased its share capital to TL 1,530,000,000 by transferring TL 510,000,000 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 43,134,006 treasury shares as of 31 March 2022 (31 December 2021: 27,346,399 shares).

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

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

##### b) Treasury shares acquired (cont'd)

The details of the treasury shares acquired for the accounting period ended 31 March 2022 are as follows:

Transaction	Transaction date	Nominal value	Weighted average share price	Transaction amount
Repurchased shares	26 February 2013	933,649	1.34	1,251,090
Repurchased shares	27 February 2013	736,571	1.34	987,004
Repurchased shares	28 February 2013	1,000,000	1.34	1,340,000
Repurchased shares	1 March 2013	2,297,269	1.32	3,021,922
Repurchased shares	5 March 2013	3,455,130	1.33	4,608,678
Repurchased shares	11 March 2013	457,867	1.32	604,384
Repurchased shares	12 March 2013	586,245	1.32	773,843
Repurchased shares	15 March 2013	2,000,000	1.32	2,640,000
Repurchased shares	21 March 2013	7,210,586	1.33	9,582,612
Bonus shares from incorporating reserves	20 June 2013	314,024	-	-
Bonus shares from incorporating reserves	5 June 2014	683,977	-	-
Bonus shares from incorporating reserves	11 June 2015	1,271,466	-	-
Bonus shares from incorporating reserves	25 May 2016	1,325,030	-	-
Bonus shares from incorporating reserves	17 August 2017	845,764	-	-
Bonus shares from incorporating reserves	8 June 2018	1,071,301	-	-
Bonus shares from incorporating reserves	17 June 2019	1,973,449	-	-
Bonus shares from incorporating reserves	20 August 2020	1,184,071	-	-
Bonus shares from incorporating reserves	20 May 2021	1,409,605	-	-
Paid capital increase	25 March 2022	14,378,002	-	-
Total repurchased shares		<u>43,134,006</u>		<u>24,809,533</u>

##### 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, in the capital increase made between 2 March 2022 and 16 March 2022, TL 426,500 was added to the issue premiums arising from the sale of the shares that did not use the preference right.

##### d) Restricted reserves appropriated from profit

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's paid-in capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted. In accordance with the Turkish Commercial Code, the Company has to appropriate restricted reserve equivalent to the Company's treasury shares acquired. Such reserve can only be released in the amount of any sold or destroyed shares valued at acquisition cost. As of 31 March 2022, the Company's restricted reserves appropriated from profit are comprised of legal reserves amounting to TL 62,522,579 (31 December 2021: TL 58,787,783).

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**16. REVENUE AND COST OF SALES**

	1 January- 31 March 2022	1 January- 31 March 2021
<b>a) Sales</b>		
Total income on properties	23,978,056	31,704,642
<i>Income from the sale of investment property</i>	3,538,983	18,987,288
<i>Rental income</i>	20,439,073	12,717,354
Total income on debt instruments	4,866,950	2,257,051
<i>Interest income on deposits</i>	4,866,950	2,257,051
	<u>28,845,006</u>	<u>33,961,693</u>
	1 January- 31 March 2022	1 January- 31 March 2021
<b>b) Cost of Sales</b>		
Income from the sale of investment property	2,295,000	17,876,526
Direct operating/maintenance expenses	542,702	-
Other	-	783,932
	<u>2,837,702</u>	<u>18,660,458</u>

**17. EXPENSES BY NATURE**

	1 January- 31 March 2022	1 January- 31 March 2021
Personnel expenses	5,212,330	3,632,506
Cost of sales of investment property	2,295,000	17,876,526
Depreciation and amortization expenses	951,615	887,871
Maintenance and repair expenses	733,400	219,813
Taxes, duties and fees	583,778	823,523
Advertisement expenses	538,216	601,218
Outsourced service expenses	522,929	209,598
Consultancy expenses	193,740	209,061
Travel and car expenses	86,247	28,444
Building common expenses	37,608	76,594
Stationery and IT related expenses	27,611	40,727
Commission expenses	27,394	33,153
Rent expenses	4,118	12,469
Other	440,551	448,183
	<u>11,654,538</u>	<u>25,099,686</u>

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

	1 January- 31 March 2022	1 January- 31 March 2021
General administrative expenses (-)	7,375,942	5,387,794
Marketing and sales expenses (-)	1,440,894	1,051,434
	<u>8,816,836</u>	<u>6,439,228</u>
<u>a) Detail of General Administrative Expenses</u>		
	1 January- 31 March 2022	1 January- 31 March 2021
Personnel expenses	4,732,379	3,452,321
Taxes, duties and fees	582,757	409,901
Outsourced servise expenses	522,929	207,322
Advertisement expenses	457,414	527,026
Depreciation and amortization expenses	335,721	316,915
Consulting expenses	193,740	209,061
Maintenance and repair expenses	190,698	155,063
Travel and car expenses	86,247	28,444
Rent expenses	4,118	12,469
Other expenses	242,327	29,150
	<u>7,375,942</u>	<u>5,387,794</u>
<u>b) Detail of marketing expenses</u>		
	1 January- 31 March 2022	1 January- 31 March 2021
Depreciation and amortization expenses	615,894	570,956
Personnel expenses	479,951	180,185
Advertisement expenses	80,802	74,192
Building common expenses	37,608	76,594
Commission expenses (*)	27,394	33,153
Taxes, duties and fees	1,021	41,693
Other expenses	198,224	74,661
	<u>1,440,894</u>	<u>1,051,434</u>

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

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

Other income from operating activities:

	1 January- 31 March 2022	1 January- 31 March 2021
Value increase of investment properties (Note 9)	36,565,000	-
Foreign exchange gains arising from activities	673,504	240,534
Income from waiver and cancellation of promise of sale	432,979	93,603
Provisions released	27,663	96,898
Other income	480,525	81,023
	<u>38,179,671</u>	<u>512,058</u>

Other expenses from operating activities:

	1 January- 31 December 2021	1 January- 31 December 2021
Foreign exchange difference expense arising from activities	(649,152)	(168,792)
Other expenses	(90,840)	(854)
	<u>(739,992)</u>	<u>(169,646)</u>

#### 20. FINANCE EXPENSE

	1 January- 31 March 2022	1 January- 31 March 2021
Short-term lease certificate interest expenses	30,247,720	11,177,713
Expenses on finance leases	11,732,141	3,936,165
Interest expenses from bank loans	4,776,255	3,122,266
Commission expenses	3,952,614	1,144,967
Interest expenses on short-term financing bills	104,971	-
Expenses on operating leases	63,755	89,466
	<u>50,877,456</u>	<u>19,470,577</u>
Less: Amounts included in the investment properties	<u>(45,624,220)</u>	<u>(18,713,341)</u>
Finance Expense	<u>5,253,236</u>	<u>757,236</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. The Group's subsidiary, Halk Yapı Projeleri Gelişim A.Ş., is subject to corporate tax valid in Turkey. Estimated tax liabilities regarding the current period operating results of the Group's subsidiary, Halk Yapı Projeleri A.Ş., have been calculated and no tax liability has been allocated in the accompanying consolidated financial statements.

#### 22. EARNINGS PER SHARE

<b>Earning per share</b>	1 January- 31 March 2022	1 January- 31 March 2021
Average number of shares outstanding during the period (full value)	1,530,000,000	970,000,000
Net profit for the parent company shareholders	49,376,911	8,447,183
Earnings per share from continuing and discontinued operations	0.0323	0.0087

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### 23. FINANCIAL INSTRUMENTS

#### Financial Liabilities

	31 March 2022	31 December 2021
a) Borrowing Instruments	827,864,890	747,962,082
b) Bank Loans	209,210,066	136,106,156
c) Finance Lease Payables(*)	141,963,525	127,871,430
d) Operating Lease Payables	1,312,253	1,673,702
	<u>1,180,350,734</u>	<u>1,013,613,370</u>

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

<u>Borrowing Securities</u>	31 March 2022	31 December 2021
Short-term lease certificates	827,864,890	747,962,082
	<u>827,864,890</u>	<u>747,962,082</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	8 February 2022	190,475,280
9 November 2021	1 March 2022	16.30%	200,000,000	22 March 2022	210,003,200
23 November 2021	22 March 2022	15.50%	120,000,000	1 March 2022	126,064,080
8 December 2021	5 April 2022	16.00%	232,000,000	5 April 2022	244,000,432
8 February 2022	17 May 2022	19.25%	250,000,000	8 February 2022	262,921,250
1 March 2022	31 May 2022	17.50%	125,000,000	1 March 2022	130,453,750
22 March 2022	28 June 2022	17.25%	200,000,000	22 March 2022	209,263,020

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

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



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

<u>Bank Loans</u>	<u>31 March 2022</u>	<u>31 December 2021</u>
Short-term bank loans	150,322,601	62,809,181
Short-term portion of long-term bank loans	49,095,711	50,368,187
Long-term bank loans	9,791,754	22,928,788
	<u>209,210,066</u>	<u>136,106,156</u>

Interest rates of financial liabilities are as follows:

<u>Financial Instrument</u>	<u>Currency</u>	<u>Weighted average interest rate</u>	<u>31 March 2022</u>	
			<u>Short-term</u>	<u>Long-term</u>
Lease certificates	TL	17.54%	827,864,890	-
Fixed rate loans	TL	9.75%	104,270,316	9,791,754
Floating rate loans	TL	15.07%	95,147,996	-
Financial lease agreement	EUR	5.1%	68,975,952	72,987,573
Operating lease agreement	TL	23.5%	937,201	375,052
			<u>1,097,196,355</u>	<u>83,154,379</u>

<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>

Maturities of bank borrowings are as follows:

	<u>31 March 2022</u>	<u>31 December 2021</u>
Less than 1 year	1,097,196,355	919,404,279
Between 1-2 years	67,787,679	74,515,214
Between 2-3 years	15,366,700	19,693,877
	<u>1,180,350,734</u>	<u>1,013,613,370</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 2020, the Group's strategy has not been changed from 2019. As of 31 December 2020 and 31 December 2019, the net debt/capital ratio calculated as net debt divided by total capital (net debt is calculated as total borrowings less cash and cash equivalents and short-term financial investments) is as follows:

	31 March 2022	31 December 2021
Financial liabilities	1,180,350,734	1,013,613,370
Less: Cash and cash equivalents	(487,850,001)	(53,109,547)
Net debt	692,500,733	960,503,823
Total shareholders equity	3,845,603,552	3,300,178,143
Total share capital	1,530,000,000	1,020,000,000
Net Debt/Total Capital Ratio	45%	94%

##### 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. The Group's risk management programme generally focuses on uncertainty in financial markets and minimizing potential negative effects on the Group's financial performance.

Risk management is conducted by a treasury department with policies approved by the Board of Directors. Treasury department of the Group defines and evaluates the financial risk, and by working with the operation units by using tools to decrease the risk. Board of Directors maintains generates a written procedure about foreign currency 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**

	<b>Receivables</b>				<b>Deposits at Banks</b>
	<b>Trade Receivables</b>		<b>Other Receivables</b>		
<b>31 March 2022</b>	<b>Related Parties</b>	<b>Other</b>	<b>Related Parties</b>	<b>Other</b>	
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	60	3,642,335	-	-	487,850,001
- Secured portion of the maximum credit risk by guarantees, etc. (**)	-	3,639,700	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	60	3,642,335	-	-	487,850,001
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)*

**Details of credit risk by class of financial instruments**

<b>31 December 2021</b>	<b>Receivables</b>				
	<b>Trade Receivables</b>		<b>Other Receivables</b>		<b>Deposits at Banks</b>
	<b>Related Parties</b>	<b>Other</b>	<b>Related Parties</b>	<b>Other</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	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	60	2,529,290	-	-	53,109,547
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.

#### 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 Company can be required to pay. The table includes both interest and principal cash flows.

#### Liquidity risk table:

<u>Contractual Terms</u>	<u>Carrying value</u>	<u>Total Contractual</u>			
		<u>Cash Outflows</u> <u>(I+II+III)</u>	<u>Less than 3</u> <u>months (I)</u>	<u>3 to 12</u> <u>months (II)</u>	<u>1 to 5 years</u> <u>(III)</u>
<b>Non-derivative</b>					
<b>financials liabilities</b>					
Bank loans	209,210,066	213,335,766	158,475,781	43,705,375	11,154,610
Debt securities issued	827,864,890	846,638,452	846,638,452	-	-
Financia lease liabilities	141,963,525	150,299,034	16,433,254	54,377,667	79,488,113
Long-term liabilities arising from operating leases	1,312,253	1,879,031	425,208	934,263	519,560
Trade payables	207,814,161	230,684,151	122,814,161	-	107,869,990
Other payables	12,497,460	12,497,460	12,497,460	-	-
<b>Total liabilities</b>	<b>1,400,662,355</b>	<b>1,455,333,894</b>	<b>1,157,284,316</b>	<b>99,017,305</b>	<b>199,032,273</b>

31 December 2021

<u>Contractual Terms</u>	<u>Carrying value</u>	<u>Total Contractual</u>			
		<u>Cash Outflows</u> <u>(I+II+III)</u>	<u>Less than 3</u> <u>months (I)</u>	<u>3 to 12</u> <u>months (II)</u>	<u>1 to 5 years</u> <u>(III)</u>
<b>Non-derivative</b>					
<b>financials 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 payables	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>

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

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

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

	31 March 2022		
	TL Equivalent	US Dollar	Euro
1. Trade Receivables	-	-	-
2a. Monetary Financial Assets	209,069	4,764	8,556
2b. Non-monetary Financial Assets	-	-	-
3. Other	-	-	-
4. CURRENT ASSETS	209,069	4,764	8,556
5. Trade Receivables	811,503	-	49,830
6a. Monetary Financial Assets	-	-	-
6b. Non-monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	811,503	-	49,830
9. TOTAL ASSETS	1,020,572	4,764	58,385
10. Trade Payables	69,526	4,750	-
11. Financial Liabilities	49,237,946	-	3,017,993
12a. Monetary Other Liabilities	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-
13. CURRENT LIABILITIES	49,307,472	4,750	3,017,993
14. Trade Payables	-	-	-
15. Financial Liabilities	92,725,581	-	5,683,525
16a. Monetary Other Liabilities	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-
17. NON-CURRENT LIABILITIES	92,725,581	-	5,683,525
18. TOTAL LIABILITIES	142,033,053	4,750	8,701,518
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	-	-	-
19.a. Assets on foreign currency derivative instruments	-	-	-
19.b. Liabilities on foreign currency derivative instruments	-	-	-
20. Net Foreign Currency Assets/Liabilities Position	141,012,481	14	8,643,133
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-12a-14-16a)	(141,012,481)	(14)	(8,643,133)

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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 2021		
	TL Equivalent	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	127,934,853	4,750	8,460,518
18. TOTAL LIABILITIES	127,934,853	4,750	8,460,518
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	-	-	-
19.a. Assets on foreign currency derivative instruments	-	-	-
19.b. Liabilities on foreign currency derivative instruments	-	-	-
20. Net Foreign Currency Assets/Liabilities Position	(127,026,227)	14	(8,404,500)
21. Monetary Items Net Foreign Currency Assets / 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.3.2) Interest rate risk management

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

##### Interest rate sensitivity analysis

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

	<u>31 March 2022</u>	<u>31 December 2021</u>
<b>Fixed Interest Rate Instruments</b>		
Financial Liabilities	1,085,202,738	956,409,873
<b>Variable Interest Rate Instruments</b>		
Financial Liabilities	95,147,996	57,203,497

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

	<u>At FVTPL</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying value (*)</u>	<u>Note</u>
31 March 2022				
<b><u>Financial assets</u></b>				
Cash and cash equivalents	487,850,001	-	487,850,001	27
Trade receivables	3,642,395	-	3,642,395	5
<b><u>Financial liabilities</u></b>				
Borrowings	-	1,180,350,734	1,180,350,734	23
Trade payables	-	122,804,140	122,804,140	5
Due to related parties	-	85,010,021	85,010,021	4
Other payables	-	12,497,460	12,497,460	14
31 December 2021				
<b><u>Financial assets</u></b>				
Cash and cash equivalents	53,109,547	-	53,109,547	27
Trade receivables	2,529,350	-	2,529,350	5
<b><u>Financial liabilities</u></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 payables	-	5,118,543	5,118,543	14

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

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### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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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

None.

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

	31 March 2022	31 December 2021
Cash at banks	100,881,158	53,110,456
<i>Demand deposits (*)</i>	5,759,898	2,131,214
<i>Time deposits</i>	95,121,260	50,979,242
Expected credit loss (-)	(1,211)	(909)
Other liquid assets (**)	386,970,054	-
<i>Cash and cash equivalents in the statement of financial position</i>	<i>487,850,001</i>	<i>53,109,547</i>
Less: Interest income accruals on cash equivalents	(36,473)	(21,983)
<i>Cash and cash equivalents in the statement of cash flows</i>	<i>487,813,528</i>	<i>53,087,564</i>

(\*) As of 31 March 2022 and 31 December 2021, there is blocked amount for salary payments to personnel from demand deposit amounts.

(\*\*) As of 31 March 2022 and 31 December 2021, there are Private Sector Bonds, Notes and Bills.

As of 31 March 2022 and 31 December 2021, the details of time deposits at banks are as follows:

<b>31 March 2022</b>	<b>Amount</b>	<b>Interest rate</b>	<b>Maturity</b>
<b><u>Time deposits</u></b>			
TL	94,985,927	14%	1 April 2022
TL	104,892	15%	1 April 2022
TL	7,302	8%	1 April 2022
TL	23,137	15%	1 April 2022
	95,121,260		

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

31 December 2021	Amount	Interest rate	Maturity
<b>Time deposits</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		

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

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

An indictment was filed against the Bank on 15 October 2019 by the New York Southern District Attorney General of the United States Department of Justice, which repeated the allegations made in the case against the former executive of the Bank for violation of Iranian sanctions.

Initially, the Bank applied to the District Court on 4 November 2019, requesting a special appearance to discuss the issues of objection and denial of judicial jurisdiction, and rejection of the judge of the case. The District Court dismissed the request of the special appearance on 5 December 2019. The Bank appealed the District Court's decision to the Second Circuit Court of Appeals on 17 December 2019. The Second Circuit Court of Appeals dismissed the Bank's objection on 21 February 2020.

In the meeting held by the Bank's Board of Directors on 27 March 2020, it was decided to attend the hearing on 31 March 2020 in the District Court where the case will be discussed, to accept the notification of the case and to appoint Williams&Connolly law firm with a proxy to represent the Bank in the process.

At the hearing on 31 March 2020 held in the District Court; it has been 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 timetable regarding the objection to the recusal motion, the requests for evidence and the submission of other requests has been determined, and it was decided that the jury hearing would be held on 1 March 2021. Accordingly, it has been decided that the jury trials will start on 3 May 2021. Within this scope, the Bank filed its motions to the District Court regarding the recusal of the judge on 14 July 2020, and regarding other requests attacking the face of the indictment on 10 August 2020.

The Bank's request for refusal was rejected by the District Court on 24 August 2020, and by the Second Court of Appeal on 23 December 2020.

On 1 October 2020, the Bank's request to drop the indictment was rejected by the District Court. The Bank appealed to the Court of Appeals for Foreign State Immunity (to be exempt from the jurisdiction of the US courts) within the scope of the request to drop the indictment. The Second Court of Appeal accepted the Bank's appeal on 23 December 2020 to discuss the merits and at the same time decided to stay the District Court process. An oral hearing was held before the Second Court of Appeal 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 Second Court of Appeals on 5 November 2021. The court rejected this request on 15 December 2021.

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### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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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 Second Court of Appeal to stop the case from being sent back to the District Court in this process. This request was accepted by the Second Court of Appeal 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 US Court of Appeals, the case will be sent back to the District Court and the District Court will need to establish a new case schedule for the proceedings.

In addition, a civil lawsuit was filed against the Bank on 27 March 2020, before the US Southern District Court of New York, on the grounds that "they could not collect their receivables from Iran due to alleged violations of sanctions" by some of the complainants. The relevant 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 to the incompatibility of the jurisdiction within the scope of the dismissal of the case, conditionally rejecting 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 Second Court of Appeal. The mutual petition stage has been completed and the appeal process continues before the Second Court of Appeal.

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

#### **29. FEES FOR SERVICES RECEIVED FROM 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 related to the services received by the Group from the independent auditor/independent audit firm as of the reporting period are as follows:

	1 January- 31 March 2022	1 January- 31 March 2021
Independent audit fee for the reporting period	98,000	60,750
	<u>98,000</u>	<u>60,750</u>

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

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

As of 31 March 2021, the Group complied with the restrictions that stated on the paragraph "a, b, c, ç and d" of 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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### NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2022

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

The control of the compliance with the portfolio limitations prepared in accordance with the individual financial statements of the Company in accordance with the "Communiqué on Principles Regarding Real Estate Investment Trusts" of the CMB, numbered III: 48.1, is as follows:

	Financial statement primary account items	Regulation	31 March 2022 (TL)	31 December 2021 (TL)
<b>A</b>	Money and capital market instruments	Serial: III-48.1, Article 24/(b)	487,839,767	52,795,893
<b>B</b>	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article24/(a)	4,657,162,642	4,304,090,596
<b>C</b>	Subsidiaries	Serial: III-48.1, Article24/(b)	15,000,000	15,000,000
	Due from related parties (non-trade)	Serial: III-48.1, Article23/(f)	--	--
	Other assets		222,651,785	195,583,878
<b>D</b>	<b>Total assets</b>	Serial: III-48.1, Article3/(k)	<b>5,382,654,194</b>	<b>4,567,470,368</b>
<b>E</b>	Loans and borrowings	Serial: III-48.1, Article31	1,172,120,735	1,008,583,371
<b>F</b>	Other financial liabilities	Serial: III-48.1, Article31		--
<b>G</b>	Financial leasing obligations	Serial: III-48.1, Article31	141,963,526	127,871,430
<b>H</b>	Due to related parties (non-trade)	Serial: III-48.1, Article23/(f)	--	--
<b>İ</b>	Equity	Serial: III-48.1, Article31	3,843,376,846	3,297,726,118
	Other liabilities		225,193,087	133,289,450
<b>D</b>	<b>Total liabilities and equity</b>	Serial: III-48.1, Article3/(k)	<b>5,382,654,194</b>	<b>4,567,470,368</b>
	<b>Other financial information</b>	<b>Regulation</b>	<b>31.03.2022 (TL)</b>	<b>31 December 2021 (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)	386,970,054	--
<b>A2</b>	Time deposit/ demand deposit/ TL / foreign currency	Serial: III-48.1, Article24/(b)	100,869,713	52,795,893
<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	430,406,604	431,637,997
<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)	--	--
<b>L</b>	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article22/(l)	--	--

**HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARY****NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS  
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**APPENDIX 1 - CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO (cont'd)**

	<b>Portfolio Restriction</b>	<b>Regulations</b>	<b>Calculation</b>	<b>Min/Mx Rate</b>	<b>31 March 2022 (TL)</b>	<b>31 December 2021 (TL)</b>
1	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article 22/(e)	K/D	Maximum 10%	--	--
2	Real Estates, Based on Real Estates, Rights Based on Real Estates	Serial: III-48.1, Article 24/(a),(b)	(B+A1)/D	Minimum 51%	93.71%	94.23%
3	Money and Capital Market Instruments and Associates	Serial: III-48.1, Article 24/(b)	(A+C-A1)/D	Maximum 49%	16.53%	1.48%
4	Foreign Real Estates, Based on Real Estates Projects, Rights for Real Estates, Associates, Capital Market Instruments	Serial: III-48.1, Article 24/(d)	(A3+B1+C1)/D	Maximum 49%	--	--
5	Idle Land	Serial: III-48.1, Article 24/(c)	B2/D	Maximum 20%	--	--
6	Investment in the Operating Company	Serial: III-48.1, Article 28	C2/D	Maximum 10%	--	--
7	Borrowing Limit	Serial: III-48.1, Article 31	(E+F+G+H+J)/İ	Maximum 500%	45.39%	47.55%
8	Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article24/(b)	(A2-A1)/D	Maximum 10%	-5.32%	1.16%
9	Total Investments of Money and Capital Market Instruments at One Company	Serial: III-48.1, Article22/(l)	L/D	Maximum 10%	--	--