

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

CONSOLIDATED FINANCIAL
STATEMENTS AS OF 30 SEPTEMBER 2022 AND
INDEPENDENT AUDITOR'S REVIEW REPORT

(CONVENIENCE TRANSLATION OF THE CONSOLIDATED
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
REVIEW REPORT ORIGINALLY ISSUED IN TURKISH)

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

**REPORT ON REVIEW OF INTERIM
FINANCIAL STATEMENTS**

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

Introduction

We have reviewed the accompanying consolidated financial statements of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (“the Company”) and its subsidiary (together will be referred as “the Group”), which comprise the consolidated statement of financial position as at 30 September 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the nine-months period then ended and a summary of significant accounting policies and other explanatory notes. The Group management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with Turkish Financial Reporting Standards (TFRS). Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matters

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

On 15 October 2019, the United States ("USA") New York Southern District Attorney's Office filed a lawsuit against the Bank in the Southern District Court of New York ("District Court") for violation of Iran sanctions. The criminal case pending in the District Court is pending due to an appeal by the Bank of the appeal under the "Foreign State Immunity Act (FSIA)". The Bank's appeals process to the US Supreme Court continues.

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

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

Additional paragraph for convenience translation to English

In the accompanying interim consolidated financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting. Accordingly, the accompanying interim consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

Zere Gaye Şentürk
Partner

İstanbul, 11 November 2022

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HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES**REVIEWED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022**

(Amounts expressed in Turkish Lira (TL).)

		Reviewed	Audited
		30 September	31 December
	Notes	2022	2021
ASSETS			
Current Assets			
Cash and Cash Equivalents	27	159,216,601	53,109,547
Trade Receivables	5	11,603,728	2,284,370
<i>Trade Receivables from Related Parties</i>	4	-	60
<i>Trade Receivables from Third Parties</i>		11,603,728	2,284,310
Inventories	6	414,374,849	184,061,628
Prepaid Expenses	7	909,547	260,880
<i>Prepaid Expenses to Related Parties</i>	4	-	-
<i>Prepaid Expenses to Third Parties</i>		909,547	260,880
Current Tax Assets		915,964	734,045
Other Current Assets	14	108,233,120	42,743,451
<i>Other Current Assets from Third Parties</i>		108,233,120	42,743,451
Non-Current Assets			
Trade Receivables	5	3,472	244,980
<i>Trade Receivables from Third Parties</i>		3,472	244,980
Investment Properties	9	8,840,215,625	4,142,257,500
Property, Plant and Equipment	10	6,077,397	4,181,825
Intangible Assets	11	1,542,561	787,395
<i>Other Intangible Assets</i>		1,542,561	787,395
Prepaid Expenses	7	61,222,816	83,469,918
<i>Prepaid Expenses to Related Parties</i>		1,535,437	561,536
<i>Prepaid Expenses to Third Parties</i>		59,687,379	82,908,382
Other Non-Current Assets	14	-	64,085,748
<i>Other Non-Current Assets Related to Third Parties</i>		-	64,085,748
TOTAL ASSETS		9,604,315,680	4,578,221,287

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

REVIEWED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

(Amounts expressed in Turkish Lira (TL).)

	Notes	Reviewed 30 September 2022	Audited 31 December 2021
LIABILITIES AND EQUITY			
Current Liabilities			
Short-Term Borrowings	23	1,561,662,504	1,097,541,992
<i>Short-Term Borrowings from Related Parties</i>		687,792,362	869,036,092
<i>Short-Term Borrowings from Third Parties</i>		587,079,585	867,834,645
Short-Term Portions of Long-Term Borrowings	23	100,712,777	1,201,447
<i>Short-Term Portions of Long-Term Borrowings from Related Parties</i>		32,210,203	50,368,187
<i>Short-Term Portions of Long-Term Borrowings from Third Parties</i>		32,210,203	50,368,187
Trade Payables	5	135,111,890	55,532,099
<i>Trade Payables to Related Parties</i>	4	25,967	10,021
<i>Trade Payables to Third Parties</i>		135,085,923	55,522,078
Liabilities Arising from Customer Contracts	8	640,303,169	94,920,309
<i>Deferred Income to Related Parties</i>		420,000,000	-
<i>Contract Liabilities Arising from Sales of Goods and Services</i>		220,303,169	94,920,309
Short-Term Provisions		3,492,653	2,799,386
<i>Short-Term Portion of Provisions Related to Employee Benefits</i>	13	3,227,853	2,799,386
<i>Other Short-Term Provisions</i>		264,800	-
Other Current Liabilities	14	62,752,227	24,885,919
<i>Other Current Liabilities to Related Parties / Other Current Liabilities to Third Parties</i>		62,752,227	24,885,919
Non-Current Liabilities			
Long-Term Borrowings	23	928,716,346	180,501,152
<i>Long-Term Financial Borrowings From Related Parties</i>		375,079,804	94,209,091
<i>Long-Term Financial Borrowings From Third Parties</i>		374,107,436	93,934,556
<i>Long-Term Financial Borrowings From Third Parties</i>		972,368	274,535
Trade Payables		131,704,714	85,000,000
<i>Trade Payables to Related Parties</i>	4	85,000,000	85,000,000
<i>Trade Payables to Third Parties</i>		46,704,714	-
Long-Term Provisions	13	1,931,828	1,292,061
<i>Long-Term Portion of Provisions Related to Employee Benefits</i>		1,931,828	1,292,061
Liabilities Arising from Customer Contracts	8	420,000,000	-
<i>Contract Liabilities Arising from Sales of Goods and Services</i>		420,000,000	-
EQUITY			
Paid-in Capital	15	7,113,936,830	3,300,178,143
Treasury Shares (-)	15	1,570,000,000	1,020,000,000
Share Premium / Discounts		(33,160,263)	(28,756,004)
Accumulated Other Comprehensive Income or Expenses that will not be Reclassified to Profit or Loss		81,040,446	49,945,096
<i>- Gains on Remeasurement of Defined Benefit Plans</i>		61,003	61,003
<i>- Gains on Remeasurement of Defined Benefit Plans</i>		61,003	61,003
Restricted Reserves Appropriated from Profit	15	69,748,009	58,787,783
Prior Years' Profit or Loss		2,144,354,721	1,821,583,883
Net Profit or Losses for the Period		3,281,892,914	378,556,382
TOTAL LIABILITIES AND EQUITY		9,604,315,680	4,578,221,287

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

REVIEWED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2022

(Amounts expressed in Turkish Lira (TL).)

		Reviewed 1 January- 30 September 2022	Reviewed 1 July- 30 September 2022	Reviewed 1 January- 30 September 2021	Reviewed 1 July- 30 September 2021
	Notes				
Revenue	16	121,221,592	47,628,540	76,938,655	19,851,232
Cost of Sales (-)	16	(20,122,022)	(11,152,501)	(27,654,735)	(2,423,083)
GROSS PROFIT		101,099,570	36,476,039	49,283,920	17,428,149
General Administrative Expenses (-)	18	(23,792,512)	(7,853,741)	(16,681,597)	(5,725,534)
Marketing Expenses (-)	18	(4,658,942)	(1,516,986)	(4,110,306)	(1,259,595)
Other Income from Operating Activities	19	3,237,770,782	742,611	3,115,207	1,797,034
Other Expenses from Operating Activities (-)	19	(1,293,898)	(553,906)	(636,391)	(392,707)
OPERATING PROFIT		3,309,125,000	27,294,017	30,970,833	11,847,347
Shares from Profit (Losses) Valued by Equity Method		-	-	-	(410,000)
OPERATING PROFIT (LOSS) BEFORE FINANCE INCOME (EXPENSE)		3,309,125,000	27,294,017	30,970,833	11,437,347
Finance Expenses (-)	20	(27,232,086)	(6,633,270)	(3,502,995)	(2,265,834)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		3,281,892,914	20,660,747	27,467,838	9,171,513
PROFIT FOR THE PERIOD		3,281,892,914	20,660,747	27,467,838	9,171,513
PROFIT (LOSS) FOR THE PERIOD		3,281,892,914	20,660,747	27,467,838	9,171,513
Distribution of Profit/Loss for the Period					
Earnings per Share		2.0904	0.0269	0.0269	0.0093
OTHER COMPREHENSIVE INCOME:					
Items That Will Not Be Reclassified to Profit or Loss		-	-	162,940	-
Gain on Remeasurement of Defined Benefit Plans		-	-	162,940	162,940
TOTAL COMPREHENSIVE INCOME / (EXPENSE)		3,281,892,914	20,660,747	27,630,778	9,334,453

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

REVIEWED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2022

(Amounts expressed in Turkish Lira (TL).)

	Notes	Paid-in 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	
Balances as of 1 January 2021		970,000,000	(27,346,399)	49,945,096	68,913	52,735,975	1,528,632,662	352,452,465	2,926,488,712
Transfers		-	-	-	-	6,051,808	346,400,657	(352,452,465)	-
Total Comprehensive Income		-	-	-	162,940	-	-	27,467,838	27,630,778
Capital Increase	15	50,000,000	(1,409,605)	-	-	-	(48,590,395)	-	-
Dividends		-	-	-	-	-	(4,859,041)	-	(4,859,041)
Balances as of 30 September 2021	15	1,020,000,000	(28,756,004)	49,945,096	231,853	58,787,783	1,821,583,883	27,467,838	2,949,260,449
Balances as of 1 January 2022	15	1,020,000,000	(28,756,004)	49,945,096	61,003	58,787,783	1,821,583,883	378,556,382	3,300,178,143
Adjusted balance as at 31 December 2021		1,020,000,000	(28,756,004)	49,945,096	61,003	58,787,783	1,821,583,883	378,556,382	3,300,178,143
Transfers		-	-	-	-	3,634,797	374,921,585	(378,556,382)	-
Total Comprehensive Income		-	-	-	-	-	-	3,281,892,914	3,281,892,914
Capital Increase	15	550,000,000	(4,404,259)	31,095,350	-	7,325,429	(52,150,747)	-	531,865,773
Balances as of 30 September 2022	15	1,570,000,000	(33,160,263)	81,040,446	61,003	69,748,009	2,144,354,721	3,281,892,914	7,113,936,830

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

REVIEWED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2022

(Amounts expressed in Turkish Lira (TL).)

	Notes	Reviewed 1 January- 30 September 2022	Reviewed 1 January- 30 September 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (Loss) for the Period		3,281,892,914	27,467,838
Adjustments to Reconcile Net Profit (Loss) for the Period			
- Adjustments Related to Depreciation and Amortization Expenses	10-11	1,916,166	2,526,022
- Adjustments Related to Provisions	12-13	1,440,947	220,392
- Adjustments Related to Interest Income and Expenses	16-20	114,125,821	(11,572,708)
- Adjustments Related to Fair Value Losses/Gains of Non-current Assets	19	(3,235,473,811) (18,244,024)	(583,557) (4,608,461)
Changes in working capital			
- Adjustments Related to (Increase) / Decrease in Inventories	6	(230,313,221)	(48,178,887)
- Adjustments Related to (Increase) / Decrease in Trade Receivables		(9,070,523)	(1,175,129)
- Decrease (Increase) in Prepaid Expenses		21,598,435	18,182,230
- Decrease (Increase) in Other Operating Assets		(1,585,840)	(27,106,817)
- Adjustments Related to Increase / (Decrease) in Trade Payables		126,284,505	17,311,423
- Adjustments Related to Increase (Decrease) in Deferred Income (Excluding Liabilities Arising from Customer Contracts)		545,382,860	17,453,685
- Adjustments Related to Increase (Decrease) in Other Operating Liabilities		457,751,061	8,366,650
Cash Flows Generated from Operations		1,055,705,300	(1,697,319)
Interest Received		19,358,367	7,240,930
		1,075,063,667	5,543,611
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets	10-11	(4,566,904)	(2,490,374)
Cash Outflows from Purchase of Investment Properties	9-20	(1,478,746,814)	(287,298,487)
Cash Inflows from Disposals of Investment Properties	9	34,506,524	29,392,373
		(1,448,807,194)	(260,396,488)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows from Borrowings		402,507,461	1,222,159,399
Cash Used for Repayment of Borrowings		(321,153,127)	(866,566,779)
Cash Inflows from Capital Increase		531,865,770	-
Dividends Paid		-	(4,859,041)
Interest Paid		(133,369,713)	(69,690,577)
		479,850,391	281,043,002
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS			
		106,106,864	26,190,125
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
		53,087,564	49,531,522
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	27	159,194,428	75,721,647

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(Amounts expressed in Turkish Lira (TL).)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

The main activity of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (“the Company”) is to invest in properties, property projects, rights on properties, property related capital market instruments and portfolio including other rights and assets as deem appropriate by the Capital Markets Board of Turkey (“CMB”) The Company, its joint operations and its subsidiary will be described as (“the Group”) in this report (see also Note 2.1 and Note 3). In accordance with the relevant articles of the CMB’s Communiqué on the Principles of Real Estate Investment Trusts, the main objective of the Group is to invest in properties, property projects, property rights and capital market instruments.

The operations of the Group, its portfolio management policies and limitations are consistent with the regulatory requirements of the CMB. Investment property portfolio of the Group consists of lands and rental properties which are used as bank branches and bank headquarter. The Group obtained its license to operate by the CMB’s approval dated 24 September 2010 and numbered 9546, and registered in the CMB. The registered capital ceiling of the Company is TL 2,500,000,000. (The registered capital ceiling before 2 September 2020 is TL 1,500,000,000.) On 25 March 2022, the capital of the Group was increased to TL 1,530,000,000 with a capital increase of TL 510,000,000. On 18 May 2022, the capital of the Company was increased to TL 1,570,000,000 with a capital increase of TL 40,000,000.

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

As of 30 September 2022, the number of personnel employed in the Group is 42 (31 December 2021: 42).

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

The Group has applied to the CMB on 29 August 2012 to increase the issued capital from TL 477,000,000 to TL 662,500,000 within TL 1,500,000,000 registered capital ceiling (The registered capital ceiling as of 2 September 2020 is TL 2,500,000,000.), by initial public offering of the increase of TL 185,500,000 B group bearer shares. The application was approved in accordance with the CMB’s decision numbered 4/97 on 8 February 2013. During 13-15 February 2013, TL 185,500,000 B group shares offered to public by restricting the preemptive rights of the existing shareholders. After the collection of the investors demand, the Company’s shares started to be traded on İstanbul Stock Exchange with HLGYO title as of 22 February 2013.

The Group's application to the Capital Markets Board regarding the increase of its issued capital from TL 1,020,000,000 by 50% to TL 1,530,000,000, all in cash, within the registered capital ceiling of TL 2,500,000,000, was approved at the meeting of the Market Board dated 24 February 2022 No. 10-282 and announced in the Capital Markets Bulletin dated 24 February 2022 No. 2022/10. Bearer shares with a nominal value of TL 510,000,000 were made available for 15 days between 2 March 2022 and 16 March 2022, in accordance with the principles stated in the prospectus. The new version of Article 8 of the Articles of Association titled "Capital and Shares" regarding the increase of the Company's issued capital from TL 1,020,000,000 by 50% to TL 1,530,000,000, all in cash, within the registered capital ceiling of TL 2,500,000,000 was approved by Capital Markets Board on 25 March 2022. The Capital Markets Board approved the new version of Article 8 of the Articles of Association, titled "Capital and Shares", regarding the increase of the Company's capital to TL 1,570,000,000, all in cash on 18 May 2022.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(Amounts expressed in Turkish Lira (TL).)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (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	Commutation Fee
18 May 2022	1,570,000,000	Bonus Issue	40,000,000	Prior years' profit

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

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

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

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

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

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

Approval of consolidated financial statements:

The Board of Directors has approved the consolidated financial statements and delegated authority for publishing it on 11 November 2022. The General Assembly has the authority to modify the consolidated 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.

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(Amounts expressed in Turkish Lira (TL).)

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

2.1 Basis of Presentation (cont'd)

Statement of Compliance in TFRS (cont'd)

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

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

Currency Used

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

Preparation of financial statements in hyperinflationary economies

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

POA made an announcement on 20 January 2022 regarding the application of TAS 29, “Financial Reporting in Hyperinflationary Economies” (IAS 29 Financial Reporting in Hyperinflationary Economies) for entities adopting Turkish Financial Reporting Standards (“TFRS”) for the year ended 31 December 2021. The announcement stated that, entities that apply TFRS should not adjust their financial statements in accordance with TAS 29 - Financial Reporting in Hyperinflationary Economies for the year ended 31 December 2021. As of the date of this report, POA has not made any further announcements regarding the scope and application of TAS 29. As a result, no inflation adjustment was made to the accompanying consolidated financial statements in accordance with TAS 29.

Comparative Information and Adjustment of Previous Period Financial Statements

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

Basis of Consolidation

As of 30 September 2022 and 31 December 2021, the details of the Company's subsidiaries are as follows:

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

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

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

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

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

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

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

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.

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

2.1. Basis of Presentation (cont'd)

Interests in Joint Operations:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an economic activity.

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

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

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

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

2.2. Changes in Accounting Estimates and Errors

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

2.3. New and Amended Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2022

Amendments to TFRS 3

Amendments to TAS 16

Amendments to TAS 37

Annual Improvements to TFRS Standards
2018-2020

Amendments to TFRS 16

Reference to the Conceptual Framework

*Property, Plant and Equipment – Proceeds before
Intended Use*

*Onerous Contracts – Cost of Fulfilling a Contract
Amendments to TFRS 1, TFRS 9 and TAS 41*

*Continuing Concessions in Rent Payments Related
to COVID-19 After 30 September 2021*

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(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 3 Reference to the Conceptual Framework

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

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

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

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

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

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

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

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

Annual Improvements to TFRS Standards 2018-2020

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.

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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 TAS 41 Agriculture

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

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

Amendments to TFRS 16 Continuing Concessions in Rent Payments Related to COVID-19 After 30 June 2021

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

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

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

The Group management has evaluated that these amendments and interpretations, effective from 2022, do not have any impact on the consolidated financial statements of the Group.

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

The Group has not yet implemented the following standards, which have not yet entered into force, and the following amendments and interpretations to existing previous 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 on Assets and Liabilities Arising from a Single Transaction</i>
Amendments to TFRS 17	<i>Initial Application of TFRS 17 and TFRS 9 with Insurance Contracts – Comparative Information</i>

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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)

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current coverage value and provides a more streamlined measurement and presentation approach for all insurance contracts. These requirements are designed to achieve consistent, principle-based accounting in insurance contracts. TFRS 17 will replace TFRS 4 Insurance Contracts as of 1 January 2023.

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 deferred and 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 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023.

Amendments to TAS 1 Disclosure of Accounting Policies

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

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

Amendments to TAS 8 Definition of Accounting Estimates

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

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

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

These 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 possible effects of these standards, amendments and improvements on the Group's consolidated financial position and performance are being evaluated.

2.4. Summary of Significant Accounting Policies

Related Parties

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

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

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

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

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

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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 Group books its share of revenue as deferred income. The Group's share (land sales income) in Total Sales Revenue ("TSR") is recorded as revenue from sale of land and related cost is recognised as cost of land sold in the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no

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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.

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

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

Property, Plant and Equipment

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

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

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

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

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

Leases

The Group as Lessee

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

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

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

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

Leases (cont'd)

The Group as Lessee (cont'd)

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

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

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

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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

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

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

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

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

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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)

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

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

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

The Group as lessor

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

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

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

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

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

Intangible Assets

Intangible assets acquired separately

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

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

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

Intangible Assets (cont'd)

Computer software

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

Derecognition of intangible assets

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

Impairment of Property, Plant and Equipment and Intangible Assets Other Than Goodwill

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

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

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

(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)

Impairment of Property, Plant and Equipment and Intangible Assets Other Than Goodwill (cont'd)

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.

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.

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(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)

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.

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.

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(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)

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.

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.

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(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)

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.

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(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 Group 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. A Group shall remove a financial liability from its statement of financial position when, and only, the obligation specified in the contract is discharged or cancelled or expires.

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(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)

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 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.

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NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(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)

Effect of Exchange Differences (cont'd)

Foreign Currency Transactions and Balances (cont'd)

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

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

Earnings Per Share

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

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

Events After the Reporting Period

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

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.

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NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS
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(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

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

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

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

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

Income Taxes

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

According to the Corporate Tax Law Article 15/(3), the income of REITs is subject to 15% withholding tax irrespective of its distribution. Within the framework of the authority within the scope of KVK Article 15/(4), the Council of Ministers, it is authorized to reduce the tax withholding rates specified in Article 15 to zero for each payment and income separately, to increase it up to the corporate tax rate, and to differentiate within the same limits according to the type of fund or partnership for the earnings specified in the third paragraph, or according to the nature and distribution of the assets in their portfolios. In accordance with New Corporate Tax Law Article 15/(2), income subject to corporate tax is also exempt from withholding tax.

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

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

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NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(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)

Income Taxes (cont'd)

Deferred tax

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

Employee Benefits

Termination and retirement benefits:

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

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

Profit-sharing and bonus plans

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

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.

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

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

Borrowing costs

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

3. INTERESTS IN OTHER ENTITIES

a) Subsidiaries

Halk Yapı Projeleri Geliştirme A.Ş.

Shareholding of the Group in its subsidiaries is as follows:

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

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

	30 September 2022	31 December 2021
Current assets	183,308,234	10,468,647
Non-current assets	6,750,779	15,282,269
Current liabilities	(134,985,895)	(8,296,116)
Non-current liabilities	(46,704,714)	-
	1 January- 30 September 2022	1 January- 31 December 2021
Profit/(loss) for the period	<u>(583,617)</u>	<u>2,705,522</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(Amounts expressed in Turkish Lira (TL).)

3. INTERESTS IN OTHER ENTITIES (cont'd)

b) Joint Operations

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

Halk GYO-Vakıf GYO Joint Venture

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

	30 September 2022	31 December 2021
Current assets	15,241,902	19,177,898
Non-current assets	466,190	4,969,734
Current liabilities	(877,908)	(1,027,990)
	1 January- 30 September 2022	1 January- 31 December 2021
Profit for the period	<u>6,379,163</u>	<u>5,027,387</u>

Halk GYO-Erkonut Joint Venture

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

	30 September 2022	31 December 2021
Current assets	1,159,000	1,194,951
Non-current assets	460	-
Current liabilities	(155,652)	(488,101)
	1 January- 30 September 2022	1 January- 31 December 2021
Profit for the period	<u>235,673</u>	<u>487,666</u>

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(Amounts expressed in Turkish Lira (TL).)

3. INTERESTS IN OTHER ENTITIES (cont'd)

b) Joint Operations (cont'd)

Halk GYO-Teknik Yapı Joint Venture

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

	30 September 2022	31 December 2021
Current assets	297,223,740	108,420,343
Non-current assets	12,540,258	5,101,291
Current liabilities	(380,527,378)	(166,931,035)
Non-current liabilities	(1,347,637)	(4,897,737)
	1 January- 30 September 2022	1 January- 31 December 2021
Profit/(loss) for the period	<u>(13,581,511)</u>	<u>2,879,582</u>

4. RELATED PARTY DISCLOSURES

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

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

	30 September 2022	31 December 2021
<u>Deposits at Halk Bank</u>		
Demand deposits	1,642,490	2,129,931
Time deposits	57,828,656	50,976,883
	<u>59,471,146</u>	<u>53,106,814</u>
<u>Balances with related parties</u>		
Halk Varlık Yönetimi A.Ş. lease certificate issuance (Note 23)	339,144,658	747,962,082
Short-term loans received from Halk Bank	211,920,801	113,177,368
Long-term loans received from Halk Bank	314,297,293	22,928,788
Halk Leasing financial lease agreement (Note 23)	128,034,474	127,871,426
	<u>993,397,226</u>	<u>1,011,939,664</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(Amounts expressed in Turkish Lira (TL).)

4. RELATED PARTY DISCLOSURES (cont'd)

	30 September 2022							
	Receivables		Payables			Prepaid Expenses/Deferred Income		Investment Properties
	Current	Current		Non-current		Current	Non-Current	Non-Current
	Trade	Trade	Non-trade	Trade	Non-trade	Trade	Trade	Non-trade
<u>Balances with related parties</u>								
<u>Shareholders</u>								
Halkbank A.Ş.	-	25,967	211,920,801	85,000,000	314,297,293	(420,000,000)	(420,000,000)	373,825,000
<u>Other companies controlled by main shareholder</u>								-
Halk Leasing Finansal Kiralama A.Ş.(*)	-	-	68,224,330	-	59,810,144	-	1,535,437	-
Halk Varlık Kiralama A.Ş.	-	-	339,144,657	-	-	-	-	-
	-	25,967	619,289,788	85,000,000	374,107,437	(420,000,000)	(418,464,563)	373,825,000
	31 December 2021							
	Receivables		Payables			Prepaid Expenses/Deferred Income		Investment Properties
	Current	Current		Non-current		Current	Non-Current	Non-Current
	Trade	Trade	Non-trade	Trade	Non-trade	Trade	Trade	Non-trade
<u>Balances with related parties</u>								
<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	-	-	-	-	-
	60	10,021	918,202,832	85,000,000	93,736,832	-	561,536	-

(*) The Group signed a contract with Buga Otis Asansör Sanayi ve Ticaret A.Ş. concerning the purchase of the vertical procurement works (lift and escalator) services of Halk Office Towers, which will be built within the scope of the Istanbul International Financial Center project and for the financing of the aforementioned service purchase, the Group also signed a finance lease contract with Halk Finansal Kiralama A.Ş. Assets acquired through finance leases are recognized under investment properties and borrowing cost amounting to TL 31,210,624 has been capitalized based on the principal payment amounting to TL 189,065,194 on 30.09.2022 (31 December 2021: borrowing cost amounting to TL 13,360,339).

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4. RELATED PARTY DISCLOSURES (cont'd)

1 January - 30 September 2022

Transactions with related parties	Interest income	Interest expenses	Currency difference expense	Rent income	Other expenses	Finance Expenses / Income Capitalized on Investment Properties (Net)
<u>Shareholders</u>						
Halkbank A.Ş.	(12,788,116)	25,750,574	-	(42,778,014)	3,404,753	(7,725,391)
<u>Other companies controlled by main shareholder</u>						
Halk Varlık Kiralama A.Ş.	-	(83,904,046)	-	-	-	(75,003,498)
Halk Leasing Finansal Kiralama A.Ş.	-	5,134,501	26,076,123	-	-	(31,210,624)
Halk Yatırım Menkul Değ.A.Ş.	-	-	-	-	375,000	-
	(12,788,116)	(53,018,971)	26,076,123	(42,778,014)	3,779,753	(113,939,513)

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4. RELATED PARTY DISCLOSURES (cont'd)

1 January - 30 September 2021

<u>Transactions with related parties</u>	<u>Interest income</u>	<u>Interest expenses</u>	<u>Currency difference expense</u>	<u>Rent income</u>	<u>Other expenses</u>	<u>Finance Expenses / Income Capitalized on Investment Properties (Net)</u>
<u>Shareholders</u>						
Halkbank A.Ş.	(4,570,902)	9,838,363	-	(35,749,400)	898,026	(4,668,697)
<u>Other companies controlled by main shareholder</u>						
Halk Varlık Kiralama A.Ş.	-	(58,665,805)	-	-	-	(58,665,805)
Halk Leasing Finansal Kiralama A.Ş.	-	1,300,067	6,975,176	-	-	(8,275,243)
	(4,570,902)	(47,527,375)	6,975,176	(35,749,400)	898,026	(71,609,745)

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4. RELATED PARTY DISCLOSURES (cont'd)

Compensation of key management personnel:

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

	1 January- 30 September 2022	1 January- 30 September 2021
Salaries and other short-term benefits	2,746,133	2,017,259
	2,746,133	2,017,259

5. TRADE PAYABLES

a) Trade Receivables:

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

	30 September 2022	31 December 2021
Short-term trade receivables		
Trade receivables	7,823,929	1,884,457
Trade receivables from related parties (Note 4)	-	60
Income accruals	3,853,105	473,232
Provision for doubtful trade receivables (-)	(73,306)	(73,379)
	11,603,728	2,284,370

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

	30 September 2022	31 December 2021
Short-term trade receivables from sale of residences and rental properties		
Sale of residences	499,933	1,316,913
<i>Bizimtepe Aydos project</i>	493,313	1,310,368
<i>Erzurum Şehristan project</i>	6,620	6,545
Rented and sold investment properties (*)	7,323,996	567,604
	7,823,929	1,884,517

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

As of 30 September 2022, the total of overdue trade receivables (notes) is TL 1,750 (31 December 2021: TL 139,624).

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5. TRADE PAYABLES (cont'd)

a) Trade Receivables (cont'd):

	30 September 2022	31 December 2021
<u>Long-term trade receivables</u>		
Trade receivables	3,472	252,234
Provision for doubtful trade receivables (-) (*)	-	(7,254)
	3,472	244,980

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

	30 September 2022	31 December 2021
<u>Long-term trade receivables from sale of residences</u>		
Residences sold	3,472	252,234
<i>Bizimtepe Aydos project</i>	3,472	252,234
	3,472	252,234
	1 January- 30 September 2022	1 January- 30 September 2021
<u>Movement of provision for doubtful receivables</u>		
Opening balance	(73,379)	(91,040)
Provisions released	73	(45,241)
Closing balance	(73,306)	(136,281)

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:

	30 September 2022	31 December 2021
<u>Short-term trade payables</u>		
Trade payables	135,085,923	55,522,078
Trade payables to related parties (Note 4)	25,967	10,021
	135,111,890	55,532,099

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

	30 September 2022	31 December 2021
<u>Long-term trade payables</u>		
Trade payables to related parties (Note 4)	85,000,000	85,000,000
Trade payables to third parties (Note 4)	46,704,714	
	131,704,714	85,000,000

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

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6. INVENTORIES

Land inventories	31 December 2021			Transfer to Fixed Asset	30 September 2022
	Cost value	Addition	Disposal		Cost value
Sancaktepe - Residence Project ⁽¹⁾	1,731,294	-	(1,533,815)	-	197,479
İzmir Project ⁽²⁾	90,101,802	159,473,606	-	-	249,575,408
Kocaeli Dilovası Industry Area ⁽³⁾	7,228,532	72,373,430	-	-	79,601,962
Sakarya Adapazarı Project ⁽⁴⁾	85,000,000	-	-	-	85,000,000
Total	184,061,628	231,847,036	(1,533,815)	-	414,374,849

⁽¹⁾ 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 the condominium title deeds on 8 February 2019. As of 30 September 2022, sales revenue of TL 12,096,571 and cost of sales of TL 5,952,547 occurred. Taxes, duties and fees are added to the cost of sales item. During the period, 15 independent sections have been withdrawn from stocks and 14 independent sections have been withdrawn from investment properties. (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.)

⁽²⁾ As of 24 August 2017, Halk GYO and Teknik Yapı Joint Operation signed a LSRSA contract for a mixed project on the parcels located in İzmir, Konak Province, Umurbey and Kuruçay districts and this amount comprise of the official expenses made for the project. There is no restriction on the land. In the scope of the 1st Phase LSRSA contract (Evora İzmir), building licenses for 486 residences, 58 commercial unit (Formerly 451 residences, 1 hotel, 1 cultural center) located on Island 8115, Parcel 3 (formerly Island 7700, Parcel 1), 534 residences, 38 commercial units, 79 apart hotels (Former 497 residences, 35 commercial, 45 apart-hotels, 1 hotel, 3 art galleries) located on Island 8110, Parcel 1 (Former Island 7698, parcel 1) were updated on 11 April 2022. As of 11 April 2022, the total number of licensed independent sections is 1,195. (The number of independent sections with previous licenses is 1,034). As of 30 September 2022, 579 independent section sales promise agreements were signed (31 December 2021: 487 independent section sales commitment agreements were signed).

⁽³⁾ Halk Yapı Projeleri Geliştirme A.Ş. established Halk Yapı Projeleri Gelişim A.Ş. on 15 December 2020 to develop all kinds of real estate projects. The entire capital of the company established belongs to Halk GYO. The newly established Halk Yapı Projeleri Development A.Ş. signed a "revenue sharing agreement in return for the sale of land" on 12 February 2021 to develop an Industrial Site Project in Kocaeli Dilovası, with 50% – 50% revenue sharing. The revenue sharing agreement in return for land sales, which was signed on 07.07.2022 with 50% – 50% revenue sharing, has been revised so that the revenue sharing distribution belongs to Marmara Metal Mamulleri Ticaret A.Ş. at a rate of 47% and to Halk Yapı Projeleri Geliştirme A.Ş. at a rate of 53%. As of 01.09.2022, the building construction permits of the project have been obtained and it consists of 350 independent sections, including 307 Workshops, 24 Stores, 18 Offices and 1 Office (Health Centre), the project name has been determined as Dilovası Modern Sanayi Sitesi. The main contractor contract was signed on 19.09.2022 for the construction activities of the project, and the sales and marketing activities of the project continue as of the reporting period. As of the reporting period, no sales were made.

⁽⁴⁾ Between the Company and Haldız İnşaat Otomotiv ve Ticaret AŞ, the group company Faver Proje Geliştirme İnşaat Sanayi ve Ticaret AŞ and Haldız İnşaat Otomotiv ve Ticaret AŞ, the parent of the Company, to whom the Bank is indebted, a "Cooperation Protocol" has been signed to develop a project on a 59,314.46 m2 land located in Adapazarı District, Tepekum District, Island 4932, parcel 1, area number G24B24B4D. According to the agreement between the parties, 65% of the revenue to be obtained from this project is owed by Haldız İnşaat Otomotiv ve Ticaret AŞ (contractor), 30% by Haldız İnşaat Otomotiv ve Ticaret AŞ, our main shareholder, the Bank, and 5% (The expected minimum revenue share of the Company is TL 30 million) will be the Company's share. The company included the land in its portfolio on 30 December 2021. In addition, a revenue sharing business agreement was signed on 14.01.2021 within the scope of this protocol. The construction permit works of the project were completed on 02.11.2022 and construction permits were obtained for 460 independent sections, including 34 commercial and 426 residences. As of the reporting period, official business and transactions and sales planning studies continue.

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7. PREPAID EXPENSES AND DEFERRED INCOME

	30 September 2022	31 December 2021
Short-Term Prepaid Expenses		
Order advances given	909,547	-
Prepaid insurance expense	-	208,499
Other	-	52,381
	909,547	260,880
Long-Term Prepaid Expenses		
Investment advances given	58,909,449	82,751,648
Investment advances given to related parties	1,535,437	561,536
Other	777,930	156,734
	61,222,816	83,469,918
Investment Advances Given		
İstanbul Finance Center project	50,967,918	80,656,680
İzmir Evora project	9,476,968	2,656,504
	60,444,886	83,313,184
Deferred Residential Sales Income		
İzmir Evora project	220,258,177	94,452,132
Bizimtepe Aydos project	26,484	108,256
Erzurum Şehristan project	17,740	359,153
Bakırköy project	768	768
	220,303,169	94,920,309

8. LIABILITIES ARISING FROM CUSTOMER CONTRACTS

	30 September 2022	31 December 2021
Liabilities arising from Short-Term Customer Agreements		
Deferred housing income	220,303,169	94,920,309
Rents in advance (*)	420,000,000	-
	640,303,169	94,920,309

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8. LIABILITIES ARISING FROM CUSTOMER CONTRACTS (cont'd)

	30 September 2022	31 December 2021
<u>Liabilities Arising from Long-Term Customer Agreements</u>		
Rents in advance (*)	420,000,000	-
	420,000,000	-

(*) Rents received in advance of liabilities arising from long and short-term customer contracts consists of the lease of the A Block building of the Istanbul International Finance Center to Türkiye Halk Bankası A.Ş. for 2 years (24 months) in May 2022. Relevant amounts have been collected in advance.

9. INVESTMENT PROPERTIES

Fair value measurement of the Group's investment properties

As of 31 December 2021, the fair value of the Company's investment properties has been determined by Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş., an independent valuation company from the Group. After 31 December 2021, it is determined by Marka Kurumsal Gayrimenkul Değerleme Danışmanlık A.Ş. Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. is authorized by the CMB and provides real estate valuation services in accordance with the Capital Markets Legislation and has sufficient experience and qualifications in the fair value measurement of real estates in the relevant regions. The fair value of the properties owned is determined according to the arm's length approach and cost value reflecting the current transaction prices for similar properties.

Details of the Group's investment properties and information about the fair value hierarchy as at 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022	Fair value as of the reporting date		
		Level 1 TL	Level 2 TL	Level 3 TL
Land	244,887,183	-	244,887,183	-
Buildings	1,905,771,500	463,565,000	1,092,206,500	350,000,000
Investment properties under development	6,689,556,942	-	-	6,689,556,942
	8,840,215,625	463,565,000	1,337,093,683	7,039,556,942
	31 December 2021	Fair value		
		Level 1 TL	Level 2 TL	Level 3 TL
Land	52,000,000	-	52,000,000	-
Buildings	1,659,667,500	-	997,667,500	662,000,000
Investment properties under development	2,430,590,000	-	36,500,000	2,394,090,000
	4,142,257,500	-	1,086,167,500	3,056,090,000

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

As of 30 September 2022, the total amount of insurance on investment properties is TL 3,487,491,948 (31 December 2021: TL 1,979,880,598). As of 30 September 2022, the total amount of capitalized finance expenses on investment properties is TL 367,198,285 (31 December 2021: TL 253,607,419).

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9. INVESTMENT PROPERTIES (cont'd)

The valuation reports of the Group's Istanbul Finance Center Project and Kocaeli Şekerpınar Block A and Block B Buildings were updated during the period. Istanbul Financial Center report has been updated due to the signing of a previously determined lease agreement with Türkiye Halk Bankası A.Ş. for the İstanbul International Financial Center Project Halk Ofis Towers A Block, which will be used by Halk Bank and its Subsidiaries, in line with the Group's decision shared with the public on 12 May 2022 and Şekerpınar A Block and B Block reports have been updated due to the title deed change of the relevant real estates.

	31 December 2021				Fair value difference	30 September 2022
	Fair value	Addition	Disposal	Transfer		Fair value
Investment properties						
İstanbul Salıpazarı Land	10,000,000	-	-	-	-	10,000,000
Erzurum Yakutiye Land	12,000,000	-	(12,000,000)	-	-	-
Antalya Muratpaşa Land	-	204,000,000	-	-	-	204,000,000
Total lands	22,000,000	204,000,000	(12,000,000)	-	-	214,000,000
İstanbul Karaköy Building	51,000,000	-	-	-	-	51,000,000
İstanbul Salıpazarı 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 Building	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 Nişantaşı Building	15,000,000	-	-	-	-	15,000,000
Halkbank Finance Tower	436,500,000	-	-	-	-	436,500,000
Levent Hotel	350,000,000	-	-	-	-	350,000,000
Kocaeli Şekerpınar A Block	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
Gayrettepe Building	-	177,301,500	-	-	-	177,301,500
Bizimtepe Aydos T 13 No BB (Empty)	282,500	-	(282,500)	-	-	-
Bizimtepe Aydos T 15 No BB	262,500	-	(262,500)	-	-	-
Bizimtepe Aydos T 16 No BB Hairdresser	410,000	-	(410,000)	-	-	-
Bizimtepe Aydos T 26 No BB Nuts Shop	410,000	-	(410,000)	-	-	-
Bizimtepe Aydos T 25 No BB Pharmacy	410,000	-	(410,000)	-	-	-
Bizimtepe Aydos T 23-24 No BB Real Estate Agency	1,315,000	-	(1,315,000)	-	-	-
Bizimtepe Aydos T 40	160,000	-	(160,000)	-	-	-
Bizimtepe Aydos T 41	150,000	-	(150,000)	-	-	-
Bizimtepe Aydos T 42-43-44 No BB Gift Shop	455,000	-	-	-	-	455,000
Bizimtepe Aydos T 14 No BB Real Estate Agency	282,500	-	(282,500)	-	-	-
Bizimtepe Aydos T 29	145,000	-	(145,000)	-	-	-
Bizimtepe Aydos T 30-31-32 No BB Real Estate Agency	435,000	-	(435,000)	-	-	-
Total buildings	1,696,167,500	177,301,500	(4,262,500)	-	36,565,000	1,905,771,500
İstanbul International Finance Center Project	2,394,090,000	1,096,558,131	-	-	3,198,908,811	6,689,556,942
İstanbul Beyoğlu Land	30,000,000	887,183	-	-	-	30,887,183
Total of investment properties in progress	2,424,090,000	1,097,445,314	-	-	3,198,908,811	6,720,444,125
Total	4,142,257,500	1,478,746,814	(16,262,500)	-	3,235,473,811	8,840,215,625

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9. INVESTMENT PROPERTIES (cont'd)

Investment Properties	Acquisition Date	Acquisition Amount	Appraisal Method	Appraisal Date	Appraisal Value	Tenant / Tenants	Rental Income (2022) (TL)	Direct operating/maintenance expenses (2022) (TL)	Rent Income (2021) (TL)	Direct operating/maintenance expenses (2021) (TL)	
Istanbul Salpazarı Land	26 January 2018	5,178,343	Comparable Sales Approach	29 November 2021	10,000,000		-	-	56,255	-	31,469
Erzurum Yakutye Land 1	30 September 2019	10,047,000	Comparable Sales Approach	14 June 2022	12,000,000		-	-	14,697	-	8,066
Erzurum Palındöken Lands 2	5 September 2019	4,455,000	Comparable Sales Approach	-	-		-	-	-	-	7,417
Sakarya Adapazarı Land 3	28 October 2010	5,960,000	Comparable Sales Approach	-	-		-	-	-	-	-
Antalya Muratpaşa Land 23	22 April 2022	204,000,000	Comparable Sales Approach	20 September 2022	276,700,000		-	-	4,500	-	-
Total lands		229,640,343			298,700,000				75,482		46,953
Ankara Balçelevler Building 1	28 October 2010	6,681,356	Comparable Sales Approach	30 November 2021	15,900,000	Halk Bankası A.Ş.	843,048	12,243	720,000	10,306	10,306
Ankara Balçelevler Building 2	28 October 2010	5,684,746	Comparable Sales Approach	30 November 2021	11,250,000	İpeköl Giyim Sanayi Pazarlama ve Ticaret A.Ş.	595,274	3,008	339,237	2,942	2,942
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.	1,311,922	289,511	1,094,975	30,846	30,846
Ankara Keleş Building	28 October 2010	12,475,237	Comparable Sales Approach	3 December 2021	30,000,000	Halk Bankası A.Ş.	1,633,406	23,385	1,395,000	48,737	48,737
Ataşehir Finance Tower	12 January 2012	126,548,795	Comparable Sales Approach	16 December 2021	436,500,000	Halk Bankası A.Ş.	17,445,000	636,970	14,958,000	319,601	319,601
Bursa Building	28 October 2010	8,500,000	Comparable Sales Approach	1 December 2021	23,400,000	Halk Bankası A.Ş.	1,264,572	81,001	1,080,000	16,860	16,860
Istanbul Ataköy Building	28 October 2010	5,061,500	Comparable Sales Approach	30 November 2021	20,250,000	Halk Bankası A.Ş.	1,001,120	16,776	855,000	48,536	48,536
Istanbul Bakırköy Building	28 October 2010	9,023,500	Comparable Sales Approach	30 November 2021	37,000,000	Halk Bankası A.Ş.	1,791,477	18,195	1,530,000	37,660	37,660
Istanbul Beşiktaş Building	27 October 2010	11,893,840	Comparable Sales Approach	30 November 2021	31,000,000	Halk Bankası A.Ş.	1,528,025	16,420	1,305,000	12,803	12,803
Istanbul Etiler Building	27 October 2010	11,000,000	Comparable Sales Approach	30 November 2021	32,000,000	Halk Bankası A.Ş.	1,275,110	79,159	1,089,000	20,789	20,789
Istanbul Fatih Building	28 October 2010	6,380,000	Comparable Sales Approach	30 November 2021	20,500,000	Halk Bankası A.Ş.	853,586	28,970	729,000	42,297	42,297
Istanbul Karaköy Building 5	2 November 2010	23,500,000	Comparable Sales Approach	8 November 2021	51,000,000	Halk Bankası A.Ş.	1,170,000	209,360	-	32,068	32,068
Istanbul Nişantaşı Building 22	2 November 2010	5,000,000	Comparable Sales Approach	28 December 2021	15,000,000	Halk Bankası A.Ş.	706,053	8,077	603,000	5,732	5,732
Istanbul Salpazarı Building	28 October 2010	38,050,960	Revenue Discount Method	10 December 2021	117,000,000	Sapaz Otekülük Turizm İnşaat Sanayi Ve Ticaret A.Ş.	7,138,731	350,125	2,565,000	216,748	216,748
Istanbul Şişli Building	2 November 2010	11,000,000	Comparable Sales Approach	1 December 2021	28,000,000	Halk Bankası A.Ş.	1,296,186	177,487	1,107,000	64,232	64,232
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	215,506	731,537	45,553	45,553
İzmir Konak Building-2	2 November 2010	10,290,000	Comparable Sales Approach	2 December 2021	27,500,000	Halk Bankası A.Ş., Halk Hayat ve Emeklilik AŞ	494,757	99,260	535,105	429,956	429,956
Kocaeli Building	28 October 2010	6,519,193	Comparable Sales Approach	29 November 2021	19,500,000	Halk Bankası A.Ş.	1,053,810	14,657	900,000	10,458	10,458
Kocaeli Şekerpınar A Block	11 September 2012	67,860,443	Revenue Discount Method	24 March 2022	216,980,000	Halk Bankası A.Ş.	9,073,431	314,667	7,207,662	232,711	232,711
Kocaeli Şekerpınar B Block 6	11 September 2012	39,830,221	Revenue Discount Method	24 March 2022	129,585,000	-	-	609,376	-	437,283	437,283
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. AŞ	26,658,600	558,883	-	564,266	564,266
Sakarya Adapazarı Building-23	15 January 2021	10,200,000	Comparable Sales Approach	3 December 2021	12,550,000	Halk Bankası A.Ş.	398,268	16,268	315,097	16,076	16,076
Istanbul Caddestöran Building 21	3 November 2010	6,300,000	Comparable Sales Approach	1 December 2021	36,500,000	-	-	114,053	-	5,522	5,522
Istanbul Gayrettepe Building 24	13 May 2022	177,301,500	Comparable Sales Approach	13 September 2022	330,000,000	-	-	149,570	-	-	-
Bizintepe Aydos T 1-2-3 No BB Nursery 7	10 April 2019	1,462,550	Comparable Sales Approach	-	-	Yakın Uluklar Eğitim Kurumları A.Ş.	-	-	150,252	5,404	5,404
Bizintepe Aydos T 13 No BB 9	23 May 2019	103,601	Comparable Sales Approach	-	-	Real Person	6,250	190	3,982	356	356
Bizintepe Aydos T 14 No BB Real Estate Agency 16	10 April 2020	103,601	Comparable Sales Approach	-	-	Real Person	5,646	117	8,502	357	357
Bizintepe Aydos T 15 No BB20	27 August 2021	145,966	Comparable Sales Approach	-	-	Demirbey İnşaat Tic. İd.Şti.	7,500	71	1,500	14	14
Bizintepe Aydos T 16 No BB 10	10 June 2019	106,997	Comparable Sales Approach	-	-	Demirbey İnşaat Tic. İd.Şti.	7,850	139	9,560	456	456
Bizintepe Aydos T 17-18-19-20-21-22 No BB8	16 April 2019	799,931	Comparable Sales Approach	-	-	Moşaş Marketçilik Gıda San. ve Tic. A.Ş.	-	-	172,759	1,947	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.22, Migros Ticaret A.Ş.	15,750	1,402	42,599	1,253	1,253
Bizintepe Aydos T 25 No BB 12	1 October 2019	134,490	Comparable Sales Approach	-	-	Real Person	4,613	583	13,913	450	450
Bizintepe Aydos T 26 No BB 11	19 September 2019	135,420	Comparable Sales Approach	-	-	Arge Emlak ve Emlak Yönetimi A.Ş.22,Çerçök KŞİ	4,638	585	11,750	451	451
Bizintepe Aydos T 27-28 No BB15	27 March 2020	92,250	Comparable Sales Approach	-	-	Arge Emlak ve Emlak Yönetimi A.Ş.22	-	-	750	397	397
Bizintepe Aydos T 29-30-31-32 No BB 17	27 April 2020	181,305	Comparable Sales Approach	30 December 2021	145,000	Arge Emlak ve Emlak Yönetimi A.Ş.22	-	198	1,500	206	206
Bizintepe Aydos T 39-40-41-42-43-44 Nolu BB14	22 November 2019	288,565	Comparable Sales Approach	30 December 2021	455,000	Mesgalem Hediye San. A.Ş., Yağınaröğü Plastik San.ve Tic. Ltd.Şti.	16,875	812	6,430	1,222	1,222
Total buildings		717,107,554			2,058,615,000		77,666,464	4,047,023	39,483,110	2,664,495	2,664,495
Istanbul Finance Center Project	28 October 2010	229,846,920	Cost Method	29 April 2022	5,992,837,000		-	-	-	-	-
Istanbul Beyoğlu Land 4	28 October 2010	12,000,000	Comparable Sales Approach	15 December 2021	30,000,000		-	-	-	-	62,869
Total investment properties under development		241,846,920			6,022,837,000						62,869
Total		1,188,594,818			8,380,152,000		77,666,464	4,122,475	39,483,110	2,774,317	

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

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(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. to Halk GYO A.Ş. on 30.09.2019.
- 2- Erzurum Palandöken Land was transferred from Er Konut İnş.Taah. İnşaat Mlz. Nakliye ve Mad. Tic.San. A.Ş. to Halk GYO A.Ş. on 28.05.2021.
- 3- Upon detecting that Sakarya Adapazarı Building posed risks, the building was demolished and turned into a land, and classified as land in the financial statements. The mentioned land was transferred to Adapazarı Municipality on 15.01.2021, in exchange for the inclusion of the "Sakarya Adapazarı Building-2" building in the portfolio.
- 4- The lease agreement of İstanbul Beyoğlu Building with T.Halk Bankası A.Ş. has expired as of 15.02.2020. A lease agreement including the renovation of the building was signed with Taksim Investment Gayrimenkul A.Ş. on 22.10.2020. The building was demolished to be rebuilt and registered as "Land" on 02.12.2021 in the land registry. Rental income will start to be obtained 20 months after the necessary construction permits are obtained for the reconstruction of the building.
- 5- İstanbul Karaköy Building lease agreement has expired as of 23.10.2017. A new lease agreement was signed with Halk Bankası A.Ş. on 31.12.2021 for the building. Rental income started to be obtained from the building as of 01 May 2022.
- 6- Marketing activities continue for Kocaeli Şekerpinar B Blok Building.
- 7- Bizimtepe Aydos T Blok Independent Sections Numbered 01,02,03 (Nursery) were leased to Yakın Ufuklar Eğitim Kurumları A.Ş. on 10.04.2019 and related independent departments were transferred to Aydın Aydın Copyright Marka Patent Ltd. Şti. on 30.12.2021.
- 8- Bizimtepe Aydos Trade Block Independent Sections Numbered 17,18,19,20,21,22 (Market) were leased to Mopaş Marketçilik Gıda San ve Tic A.Ş. on 16.04.2019 the related independent sections were sold to Real Persons on 29.09.2021.
- 9- The lease agreement 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 was signed with Nefes Global İnş.Dan.Hizm.San.Tic.Ltd.Şti. on 15.09.2021. As of 15.10.2021, rental income started to be obtained. The related independent section was sold to Bahri Madencilik Turizm Ticaret San.Ltd.Şti. on 27.05.2022.
- 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. The related independent section was sold to Cenin İnşaat San ve Tic. A.Ş. on 07.06.2022.
- 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 A.Ş. 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 signed 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 Habitad Gayrimenkul İnş.Eml.Eğit. Danış.ve Paz. Tic. A.Ş., 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. The related independent section was sold to Bahri Madencilik Turizm Ticaret San.Ltd.Şti. on 27.05.2022.
- 17- The lease agreement made with Arge Emlak ve Emlak Yönetim A.Ş., the tenant of Bizimtepe Aydos Ticaret Blok No. 29,30,31,32 Independent Sections, expired on 31.01.2021. The independent section of the Trade Block no. 30 was sold to Real Persons on 27.05.2022, the independent section no. 31 on 11.05.2022, and the independent section no. 32 on 11.05.2022.
- 18- The lease agreement with Dedeman Turizm Yönetim A.Ş. 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 started 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 Emlak ve Emlak Yönetim A.Ş.
- 20- Bizimtepe Aydos Trade Block No. 15 Independent Sections were leased to Demirbey İnşaat Tic.ltd.Şti. on 01.09.2021. The related independent section was sold to Cenin İnşaat San. ve Tic. A.Ş. on 07.06.2022.
- 21- After the Caddebostan Urban Transformation Project was completed and the condominium title deeds of the building were received on 08.07.2021, the related project was classified as a building as of this date. Marketing activities of the building continue.
- 22- İstanbul Nişantaşı building was transferred to the subsidiary of the company, Halk Yapı Projeleri Geliştirme AŞ, on 28.12.2020.
- 23- Antalya Muratpaşa Land was purchased on 22.04.2022 from T.Halk Bankası A.Ş.
- 24- İstanbul Gayrettepe Building was purchased from T.Halk Bankası A.Ş. on 13.05.2022.

Operating leases

The Group as lessor

The Group has signed operating leases with Halkbank, Ceda Akaryakıt Turizm, Sapaz Otelcilik Turizm, Caba İnşaat Otelcilik and İpekyol Giyim. As of 30 September 2022 and 31 December 2021, annual minimum lease amounts concerning the remaining lease terms are as follows:

	30 September 2022	31 December 2021
Operating leases		
Less than one year	299,067,296	69,865,544
Between one and five years	862,911,224	227,943,482
More than five years	353,637,384	242,228,386
	1,515,615,904	540,037,412

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

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(Amounts expressed in Turkish Lira (TL).)

10. PROPERTY, PLANT AND EQUIPMENT

Cost Value	Furniture and fixture	Leashold improvements	Right-of use assets (*)	Total
Opening balane as of 1 January 2022	4,359,130	5,724,534	3,642,390	13,726,054
Additions	2,036,084	-	1,690,942	3,727,026
Disposals	(7,550)	-	(2,299,435)	(2,306,985)
Closing balance as of 30 September 2022	6,387,664	5,724,534	3,033,897	15,146,095

Accumulated Depreciation				
Opening balane as of 1 January 2022	(1,974,949)	(5,223,206)	(2,346,074)	(9,544,229)
Charge for the period	(596,376)	(498,325)	(736,753)	(1,831,454)
Disposals	7,550	-	2,299,435	2,306,985
Closing balance as of 30 September 2022	(2,563,775)	(5,721,531)	(783,392)	(9,068,698)
Net book value as of 30 September 2022	3,823,889	3,003	2,250,505	6,077,397

Cost Value	Furniture and fixture	Leashold improvements	Right-of use assets (*)	Total
Opening balance as of 1 January 2021	2,536,371	5,724,534	2,531,968	10,792,873
Additions	1,533,516	-	944,356	2,477,872
Disposals	(32,355)	-	-	(32,355)
Closing balance as of 30 September 2021	4,037,532	5,724,534	3,476,324	13,238,390

Accumulated Depreciation				
Opening balance as of 1 January 2021	(1,553,436)	(3,616,020)	(1,537,195)	(6,706,651)
Charge for the period	(301,779)	(1,639,550)	(530,132)	(2,471,461)
Disposals	32,355	-	-	32,355
Closing balance as of 30 September 2021	(1,822,860)	(5,255,570)	(2,067,327)	(9,145,757)
Net book value as of 30 September 2021	2,214,672	468,964	1,408,997	4,092,633

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

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

	Useful Life
Furniture and fixture	5 years
Leasehold improvements	3 years
Right-of use assets	3 years

Depreciation expenses of TL 828,412 (30 September 2021: TL 1,574,706) have been charged in marketing expenses and TL 1,087,754 (30 September 2021: TL 858,255) have been charged in general administrative expenses.

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(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	839,878
Closing balance as of 30 September 2022	2,472,902
<u>Accumulated Amortization</u>	
Opening balance as of 1 January 2022	(845,629)
Charge for the period	(84,712)
Closing balance as of 30 September 2022	(930,341)
Net book value as of 30 September 2022	1,542,561

<u>Cost Value</u>	<u>Other Intangible Assets</u>
Opening balance as of 1 January 2021	1,120,963
Additions	12,502
Closing balance as of 30 September 2021	1,133,465
<u>Accumulated Amortization</u>	
Opening balance as of 1 January 2021	(770,292)
Charge for the period	(54,561)
Closing balance as of 30 September 2021	(824,853)
Net book value as of 30 September 2021	308,612

Amortization expenses of TL 44,772 (30 September 2021: TL 35,428) have been charged in general administrative expenses and TL 39,940 is included in marketing and sales expenses.

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

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

12. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

As at 30 September 2022 and 31 December 2021, expense accruals are as follows:

	<u>30 September</u>	<u>31 December</u>
<u>Other short-term provisions</u>	<u>2022</u>	<u>2021</u>
Expense Accruals	264,800	-
	264,800	-

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(Amounts expressed in Turkish Lira (TL).)

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

b) Collateral, Pledge and Mortgage

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

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

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

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

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

Halk GYO-Vakıf GYO Joint Venture has 1 case in enforcement court which is ongoing, and it also has 27 consumer cases, 2 civil lawsuits, 1 case proceeding in enforcement court and 1 appeal to Consumer Arbitration Committee against Halk GYO-Vakıf GYO joint venture. In addition, there are 1 consumer cases and 1 civil lawsuit in enforcement court which resulted in favor of Halk GYO-Vakıf GYO Joint Venture. Upon the evaluation of the lawyers, no provision was made for the related lawsuits.

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

Within the scope of Teknik Yapı-Halk GYO Ordinary Partnership İzmir Project, as of 30 September 2022, a letter of guarantee of TL 104,491,930, and a letter of guarantee of TL 564,000,000 have been given to T. Halk Bankası A.Ş.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

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(Amounts expressed in Turkish Lira (TL).)

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

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

	30 September 2022	31 December 2021
A. CPMs Given for Company's Own Legal Personality	319,725,033	344,570,109
- Collateral	169,725,033	194,570,109
- Pledge	-	-
- Mortgage	150,000,000	150,000,000
B. CPMs Given on Behalf of Fully Consolidated Companies	1,564,830,150	-
- Collateral	1,564,830,150	-
- Pledge	-	-
- Mortgage	-	-
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties	336,764,749	237,067,888
- Collateral	336,764,749	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	-	-
Total	2,221,319,932	581,637,997

A. Total Amount of CPM's Given on behalf of Its Own Legal Entity	Project	CPM Type	30 September 2022	31 December 2021
İller Bankası A.Ş.	İstanbul Finance Center	Letter of Guarantee	167,345,244	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	1,746,463	1,397,158
T.C. İstanbul 27. Executive Office	Bizimtepe Aydos	Letter of Guarantee	163,266	163,266
T.C. İstanbul 18. Executive Office	Bizimtepe Aydos	Letter of Guarantee	120,000	-
T.C. İstanbul 23. Executive Office	Bizimtepe Aydos	Letter of Guarantee	117,576	61,076
T.C. İstanbul 6. Executive Office	Bizimtepe Aydos	Letter of Guarantee	115,116	-
T.C. İstanbul 7. Executive Office	Bizimtepe Aydos	Letter of Guarantee	76,621	-
T.C. İzmir 28. Executive Office	İzmir project	Letter of Guarantee	40,747	40,747
			319,725,033	344,570,109

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

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(Amounts expressed in Turkish Lira (TL).)

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

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

30 September 2022						
B. Total Amount of CPMs Given in Favor of Partnerships Included in the Scope of Full Consolidation	Letter of Guarantee	Letter of Conveyance	Limit of Guarantee	The Company's Share 100%	Sales Under Guarantee	The Company's Share 100%
Halk Yapı Projeleri Geliştirme A.Ş. (*)	-	1,564,830,150	-	-	-	1,564,830,150
Total	-	1,564,830,150	-	-	-	1,564,830,150

(*) As of 30.09.2022, within the scope of Halk Yapı Projeleri Geliştirme A.Ş., Dilovası Industrial Site Project, 30.09.2022 tarihi itibarıyla, a total of 1.564,830,150 TL was given to T.Halk Bankası A.Ş., Akbank T.A.Ş., Albaraka Türk Katılım Bankası A.Ş. and Kuveyt Türk Katılım Bankası A.Ş.

30 September 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 (*)	-	-	500,000,000	250,000,000	-	-
Halk GYO-Er Konut Joint Venture (**)	-	701,725	180,000,000	90,000,000	1,026,833	350,863
Teknik Yapı-Halk GYO Joint Venture (***)	108,827,773	564,000,000	-	-	-	336,413,887
Total	108,827,773	564,701,725	680,000,000	340,000,000	1,026,833	336,764,749

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	820,380
Halk GYO-Er Konut Joint Venture (**)	-	1,637,983	180,000,000	90,000,000	1,167,900	818,992
Teknik Yapı-Halk GYO Joint Venture (***)	107,852,431	364,000,000	-	-	-	235,926,216
Total	107,852,431	367,278,743	842,565,000	421,282,500	2,283,345	237,565,587

(*) 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.

(***) In accordance to Teknik Yapı-Halk GYO Joint Operation İzmir Project, the joint operation has given guarantee letters for İzmir Konak Stage 1 Land Sale of Revenue Sharing amounting to TL 108,827,773 and the letter of conveyance to T.Halk Bankası A.Ş. and Halk Faktoring amounting to TL 564,000,000 as of 30 September 2022.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

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(Amounts expressed in Turkish Lira (TL).)

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

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

	30 September 2022	Equity Rate	31 December 2021	Equity Rate
A. CPMs Given for Company's Own Legal Personality	319,725,033	4.49%	344,570,109	10.44%
B. Total Amount of CPMs Given in Favor of Partnerships Included in the Scope of Full Consolidation				
<i>Halk Yapı Projeleri Geliştirme A.Ş.</i>	1,564,830,150	22.00%	-	0.00%
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties				
<i>Halk GYO-Vakıf GYO Joint Venture (*)</i>	-	0.00%	557,723	0.02%
<i>Halk GYO-Er Konut Joint Venture (**)</i>	350,863	0.00%	583,950	0.02%
<i>Teknik Yapı-Halk GYO Joint Venture (***)</i>	336,413,886	4.73%	235,926,216	7.15%

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

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

As of 30 September 2022 and 31 December 2021, the Group's guarantee letters and notes received are as follows:

Collateral, Pledge and Mortgage Received	Project	CPM Type	30 September	31 December
			2022	2021
Kuzu Toplu Konut İnşaat A.Ş.	Dilovası Industry Area	Letter of guarantee	212,000,000	-
YDA İnşaat San. ve Tic. A.Ş.	Istanbul Financial Center	Letter of guarantee	153,211,169	112,292,900
Buga Otis Asansör San.ve Tic.A.Ş.	Istanbul Financial Center	Letter of guarantee	71,619,330	59,566,104
Caba İnşaat Enerji Turizm San. ve Tic. A.Ş.	Levent Hotel (lessee)	Letter of guarantee	15,576,000	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	Guarantee note	9,601,884	9,472,509
Taksim Yatırım Gayrimenkul A.Ş.	Beyoğlu Lease Contract	Letter of guarantee	5,594,720	5,594,720
Aslanoğlu Altyapı Ve Üst Yapı A.Ş.	İzmir Evora	Letter of guarantee	5,000,000	-
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	Guarantee note	1,878,588	1,878,588
Haldiz 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.	Istanbul Financial Center	Letter of guarantee	1,369,136	1,326,617
Villa Yapı Mühendislik San Ve Tic. Ltd.Şti	İzmir Evora	Letter of guarantee	980,000	-
Gert İç Ve Dış Ticaret Metal Sanayi Ltd.Şti.	İzmir Evora	Letter of guarantee	968,086	-
Ceda Akaryakıt İnşaat Emlak Tur.Tic.Ltd.Şti.	Ankara Başkent (lessee)	Surety contract	757,678	-
Teknik Yapı Proje A.Ş.	İzmir Evora	Guarantee note	746,045	746,045
Aslanoğlu Altyapı Ve Üst Yapı A.Ş.	İzmir Evora	Guarantee note	733,900	733,900
Kaf Ve İzmir Zemin Adi Ortaklığı	İzmir Evora	Guarantee note	714,365	714,365
Sigma Mühendislik Hizm.Dek.İnş.Ltd.Şti.	Dilovası Industry Area	Letter of guarantee	339,010	339,010
İpekyol Giyim Sanayi Pazarlama ve Ticaret A.Ş.	Ankara Bahçelievler (lessee)	Letter of guarantee	254,000	350,000
Ceda Akaryakıt İnşaat Emlak Tur.Tic.Ltd.Şti.	Ankara Başkent (lessee)	Letter of guarantee	200,000	200,000
Duru Peyzaj Günseli Özdl	İzmir Evora	Guarantee note	191,875	191,875
Küp Proje Mimarlık Dan.İnş.San.ve Tic.Ltd.Şti.	Dilovası Industry Area	Letter of guarantee	174,000	174,000
Artes Mühendislik Müşavirlik İnş.San.Ve Tic.Ltd.Şti.	İzmir Evora	Letter of guarantee	152,065	-
Aktuna Ahşap San. Ve Tic.Ltd.Şti.	İzmir Evora	Guarantee note	140,003	207,638
DLA Mühendislik Mimarlık San.Tic.A.Ş.	İzmir Evora	Guarantee note	124,621	-
Softconomics Yazılım ve Danışmanlık Anonim Şirketi	Central Service Contract	Letter of guarantee	122,340	-
Aydoğan Dış Ticaret Anonim Şirketi	Rent a car	Letter of guarantee	80,979	73,635
Bilkay İnsan Kay.Eğt.Dan.Ltd.Şti.	Central Support Service Contract	Letter of guarantee	70,000	70,000
Özbüker Hafriyat İnş.Tur.San.Ve Tic.Ltd.Şti.(Kesin)	İzmir Evora	Letter of guarantee	56,589	-
Umut Utku Celep (Geoteknik Tasarım Ve Danışmanlık)	İzmir Evora	Guarantee note	54,910	54,910
Jeodinamik Yer Bilimleri Müh. İnş. San Tic Ltd Şti	İzmir Evora	Guarantee note	51,553	51,553
Arma Makine Elekt.İnşaat San.Tic.Ltd.Şti	İzmir Evora	Letter of guarantee	50,000	-
Aktif Taah. İnş.Elek.Nak.Turiz.San.Tic.Ltd.Şti.	İzmir Evora	Guarantee note	42,435	42,435
DLA Mühendislik Mimarlık San.Tic.A.Ş.	İzmir Evora	Letter of guarantee	36,122	-
Armi Maket Arif Ünlü	İzmir Evora	Guarantee note	30,000	30,000
Özgün Mühendislik İnş.Taah.San.Ve Tic.Ltd.Şti.	İzmir Evora	Letter of guarantee	23,700	23,700
Zeha Mekanik Tesisat Müh.Hav.Sis.İnş.Taah.San.Ve Tic.Ltd.Şti.	İzmir Evora	Guarantee note	20,493	20,493
Burcum Peyzaj İnşaat Turizm San Ltd Şti	İzmir Evora	Guarantee note	16,815	16,815
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
Manevra Otomotiv Petrol Tarım Tur.Gıda İnş. Taah.San.Ve Tic.Ltd.Şti.	İzmir Evora	Guarantee note	-	139,725
Tan Oto Motorlu Araçlar Taşımacılık ve İnş. Tic. Ltd.Şti.	Rent a car	Letter of guarantee	-	33,239
Aktif Taah. İnş.Elek.Nak.Turiz.San.Tic.Ltd.Şti.	İzmir Evora	Letter of guarantee	-	12,300
Ulaştırma Proje Yönetim İnş.İth.Ve Tic.Ltd.Şti.	İzmir Evora	Guarantee note	-	5,000
Other			-	36,225
			498,062,525	226,641,601

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13. EMPLOYEE BENEFITS

Short-term provisions for employee benefits

	30 September 2022	31 December 2021
Provision for employee premiums	2,895,357	1,404,213
Provision for unused vacation	332,496	1,395,173
	3,227,853	2,799,386

Long-term provisions for employee benefits

Provision for retirement pay liability:

The movements of provision for retirement pay liability in the accounting periods for the years ended 30 September 2022 and 31 December 2021, are as follows:

	30 September 2022	31 December 2021
Provision for employment termination benefit	1,931,828	1,292,061
	1,931,828	1,292,061

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 15,371.40 for each period of service at 30 September 2022 (31 December 2021: TL: 10,848.59).

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:

	1 January- 30 September 2022	1 January- 31 December 2021
Provision as of 1 January	1,292,061	817,067
Service cost	731,292	448,918
Interest cost	23,725	33,986
Actuarial loss/gain	(115,250)	(7,910)
Provision as of 31 December	1,931,828	1,292,061

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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 30 September 2022, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 3.87% real discount rate (31 December 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 15,371.40 which is in effect since 1 January 2022 is used in the calculation of the Group's provision for retirement pay liability (1 January 2021: TL 10,848.59).

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 employment termination benefits would decrease/(increase) by TL 202,191 / TL (237,073). If the anticipated turnover rate would have been 1% lower/(higher) while all other variables were held constant, provision for employment termination benefits would (increase)/decrease by TL (53,177) / TL 58,121.

14. OTHER ASSETS AND LIABILITIES

	30 September 2022	31 December 2021
<u>Other Current Assets</u>		
Deferred VAT	102,153,227	37,196,410
Deposits and guarantees given	385,724	112,732
Business advances given	12,504	6,256
Other	5,681,665	5,428,053
	108,233,120	42,743,451
	30 September 2022	31 December 2021
<u>Other Non-Current Assets</u>		
Deferred VAT	-	64,085,748
	-	64,085,748
	30 September 2022	31 December 2021
<u>Other Current Liabilities</u>		
Deposits and guarantees received(*)	46,271,952	19,767,376
Taxes and funds payable	15,758,102	4,699,812
Other miscellaneous payables and liabilities	722,173	418,731
	62,752,227	24,885,919

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

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NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

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15. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 30 September 2022 and 31 December 2021, the share capital held is as follows:

Shareholders	Group	%	30 September		31 December	
			2022	%	2021	
Halkbank	A	1.58	24,807,133	1.58	16,116,736	
Halkbank(*)	B	70.38	1,105,000,876	70.38	717,898,620	
Halk Yatırım Menkul Değerler A.Ş.	A	0.04	592,452	0.04	384,905	
Halk Finansal Kiralama AŞ	A	<0,01	3	<0,01	2	
Publicly traded	B	28.00	439,599,536	28.00	285,599,737	
Nominal capital		100	1,570,000,000	100	1,020,000,000	
Total capital			1,570,000,000		1,020,000,000	

(*) Türkiye Halk Bankası A.Ş. has 115,620,590.899, and Halk GYO A.Ş. has 33,160,262.98 nominal shares in the publicly traded held group as of 30 September 2022 (31 December 2021: 28,756,004.307 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 with a registered capital ceiling of TL 1,500,000,000 and the registered capital ceiling is TL 2,500,000,000 as of 2 September 2020. Divided into 2,500,000,000 shares, each with a nominal value of 1 TL. The capital of the Company is divided into 1,570,000,000 shares with a nominal value of TL 1,570,000,000 and all of them were committed by the founders, TL 706,217,979 in cash, TL 466,282,021 in kind (real estate) and TL 397,500,000 in the form of capital increase from reserves. TL 466,282,021 of the capital was paid in kind by Halkbank, which is the main shareholder, as capital in kind.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

(Amounts expressed in Turkish Lira (TL).)

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 of 20 June 2013, the Company increased its share capital by TL 11,138,704 from prior years' profit.

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

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

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

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

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

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

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

As of 20 May 2021, the Company increased its share capital to TL 1,020,000,000 by transferring TL 50,000,000 from prior years' profits to share capital.

As of 25 March 2022, the Company increased its share capital to TL 1,530,000,000 by performing a cash capital increase of TL 510,000,000

As of 18 May 2022, the Company increased its share capital to TL 1,570,000,000 by transferring TL 40,000,000 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 33,160,262.98 treasury shares as of 30 September 2022 (31 December 2021: 28,756,004 shares).

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(Amounts expressed in Turkish Lira (TL).)

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 year ended 30 September 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	1.25	392,530
Bonus shares from incorporating reserves	5 June 2014	683,974	1.16	793,413
Bonus shares from incorporating reserves	11 June 2015	1,271,466	1.12	1,424,042
Bonus shares from incorporating reserves	25 May 2016	1,325,030	1.01	1,336,955
Bonus shares from incorporating reserves	17 August 2017	845,764	1.03	873,674
Bonus shares from incorporating reserves	8 June 2018	1,071,301	0.75	801,333
Bonus shares from incorporating reserves	17 June 2019	1,973,449	0.73	1,440,618
Bonus shares from incorporating reserves	20 August 2020	1,184,071	2.12	2,512,599
Bonus shares from incorporating reserves	20 May 2021	1,409,605	3.28	4,622,095
Share purchase for paid capital increase	15 March 2022	14,378,002	1.00	14,378,002
Bonus shares from incorporating reserves	1 June 2022	1,127,686	2.17	2,450,463
Sale of repurchased shares to the market	8 September 2022	(9,150,000)	3.72	(34,068,380)
Sale of repurchased shares to the market	9 September 2022	(1,800,000)	3.94	(7,099,300)
Sale of repurchased shares to the market	12 September 2022	(151,426)	4.01	(607,118)
Total repurchased shares		33,160,263		14,060,459

c) Share premiums/discounts

The difference of TL 64,925,000, which occurred due to the sale of newly issued and publicly offered shares on 13-15 February 2013 at a price higher than their nominal value, has been recognised for as share issue premiums. Commission and legal consultancy expenses amounting to TL 11,386,842 incurred due to the issuance of new shares and their public offering are shown by deducting from the share issue premiums in accordance with the relevant regulations. In addition, the difference between the nominal value of the repurchased own shares amounting to TL 27,075,787 and the repurchase cost has been deducted from the share issue premiums and in the capital increase made between 02 March 2022 and 16 March 2022, TL 426,500 has been added to the issue premiums arising from the sale of the shares that do not use the right of preference.

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 30 September 2022, the Company's restricted reserves appropriated from profit are comprised of legal reserves amounting to TL 69,748,009 (31 December 2021: TL 58,787,783).

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16. REVENUE AND COST OF SALES

	1 January- 30 September 2022	1 July- 30 September 2022	1 January- 30 September 2021	1 July- 30 September 2021
a) Sales				
Total income on properties	101,863,035	45,281,447	69,683,483	17,530,001
<i>Income from the sale of investment property</i>	24,196,571	13,437,738	30,200,373	4,113,085
<i>Rental income</i>	77,666,464	31,843,709	39,483,110	13,416,916
Total income on debt instruments	19,358,557	2,347,093	7,255,172	2,321,231
<i>Interest income on deposits</i>	19,358,557	2,347,093	7,255,172	2,321,231
	121,221,592	47,628,540	76,938,655	19,851,232
b) Cost of Sales				
Cost of the sale of investment property	5,952,547	446,191	24,783,912	1,907,386
Real estate sales cost	10,047,000	6,583,835	96,506	96,507
Other	4,122,475	4,122,475	2,774,317	419,190
	20,122,022	11,152,501	27,654,735	2,423,083

17. EXPENSES BY NATURE

	1 January- 30 September 2022	1 July- 30 September 2022	1 January- 30 September 2021	1 July- 30 September 2021
Personnel expenses	19,541,636	7,161,809	11,279,160	3,604,029
Cost of sales of investment property	15,999,547	10,493,192	24,880,419	2,003,893
Depreciation expenses and amortization	1,916,166	627,795	2,526,022	728,111
Maintenance and repair expenses	4,357,602	682,649	559,588	159,731
Taxes, duties and fees	877,071	199,254	2,562,433	339,505
Advertising and announcement expenses	1,242,920	411,988	2,320,090	633,152
Outsourced benefits	556,717	-	692,965	234,638
Consulting expenses	783,406	166,276	1,101,269	442,538
Travel and vehicle expenses	219,624	130,608	114,579	51,478
Building common expenses	251,723	150,819	169,153	15,474
Stationery and IT expenses	144,236	94,270	133,999	39,704
Promotion expenses	618,918	-	-	-
Commission expenses	126,316	70,271	82,915	22,778
Rental expenses	57,358	51,004		
Other	1,880,236	283,293	2,024,046	1,133,181
	48,573,476	20,523,228	48,446,638	9,408,212

18. GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES

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	1 January- 30 September 2022	1 July- 30 September 2022	1 January- 30 September 2021	1 July- 30 September 2021
General administrative expenses (-)	23,792,512	7,853,741	16,681,597	5,725,534
Marketing and sales expenses (-)	4,658,942	1,516,986	4,110,306	1,259,595
	28,451,454	9,370,727	20,791,903	6,985,129

a) Detail of General Administrative Expenses

	1 January- 30 September 2022	1 July- 30 September 2022	1 January- 30 September 2021	1 July- 30 September 2021
Personnel expenses	18,276,589	6,388,801	10,465,426	3,295,756
Promotion expenses	618,918	-	1,382,638	409,272
Depreciation expenses and amortization	1,087,754	618,775	951,316	310,124
Taxes, duties and fees	766,844	179,313	973,726	294,755
Advertising and announcement expenses	599,207	208,463	-	-
Consulting expenses	376,668	139,167	709,003	256,693
Outsourced benefits	556,717	-	657,984	242,324
Maintenance and repair expenses	235,127	23,340	371,207	109,850
Stationery and IT expenses	144,236	94,270	133,394	39,704
Travel and vehicle expenses	219,624	130,608	114,579	51,478
Rental expenses	57,358	51,004	-	-
Other expenses	853,470	20,000	922,324	715,578
	23,792,512	7,853,741	16,681,597	5,725,534

b) Detail of Marketing Expenses

	1 January- 30 September 2022	1 July- 30 September 2022	1 January- 30 September 2021	1 July- 30 September 2021
Depreciation expenses and amortization	828,412	9,020	1,574,706	417,987
Advertising and announcement expenses	643,713	203,525	937,452	223,880
Personnel expenses	1,265,047	773,008	598,083	233,013
Consulting expenses	406,738	27,109	392,266	185,845
Building common expenses	251,723	150,819	169,153	15,474
Taxes, duties and fees	110,227	19,941	77,974	15,139
Commission expenses (*)	126,316	70,271	82,915	22,778
Other expenses	1,026,766	263,293	277,757	145,479
	4,658,942	1,516,986	4,110,306	1,259,595

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

19. OTHER OPERATING INCOME AND EXPENSES

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Other Operating Income

	1 January- 30 September 2022	1 July- 30 September 2022	1 January- 30 September 2021	1 July- 30 September 2021
Value increase of investment properties (Note 9)	3,235,473,811	-	583,557	173,557
Foreign exchange income from operations	671,208	492,841	670,506	378,642
Withdrawal, return and sales promise cancellation income	881,863	151,313	490,723	77,703
Provisions released	27,663	-	151,704	54,806
Other income	716,237	98,457	1,218,717	1,112,326
	3,237,770,782	742,611	3,115,207	1,797,034

Other Operating Expenses

	1 January- 30 September 2022	1 July- 30 September 2022	1 January- 30 September 2021	1 July- 30 September 2021
Foreign exchange expense from operations	(1,203,058)	(553,906)	(635,537)	(392,707)
Other expenses	(90,840)	-	(854)	-
	(1,293,898)	(553,906)	(636,391)	(392,707)

20. FINANCE EXPENSES

	1 January- 30 September 2022	1 July- 30 September 2022	1 January- 30 September 2021	1 July- 30 September 2021
Short-term lease certificate interest expenses	75,517,697	14,235,059	51,759,035	23,493,511
Leasing borrowing costs	31,210,624	6,925,946	8,275,243	847,494
Bank loan interest expenses	26,756,057	13,287,720	9,670,974	3,807,973
Commission expenses	7,184,237	1,460,400	7,270,674	4,870,285
Operating lease borrowing expenses	154,337	44,445	549,857	447,935
	140,822,952	35,953,570	77,525,783	33,467,198
Less: The amount included in the cost of investment properties	(113,590,866)	(29,320,300)	(74,022,788)	(31,201,364)
Finance Expense	27,232,086	6,633,270	3,502,995	2,265,834

21. INCOME TAXES

Real Estate Investment Trusts are exempt from corporate tax according to paragraph (1) / d-4 of Article 5 of KVK No. 520. 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

	1 January- 30 September 2022	1 July- 30 September 2022	1 January- 30 September 2021	1 July- 30 September 2021
Average number of shares outstanding during the period (full value)	1,570,000,000	1,530,000,000	1,020,000,000	820,000,000
Net profit for the period of the parent company shareholders	3,281,892,914	3,256,372,431	27,467,838	9,029,142
Earnings per share from continuing and discontinued operations	2.0904	2.1283	0.0269	0.0093

23. FINANCIAL INSTRUMENTS

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

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(Amounts expressed in Turkish Lira (TL).)

Financial Liabilities

	30 September 2022	31 December 2021
a) Debt Securities	339,144,658	747,962,082
b) Bank Loans	626,218,094	136,106,156
c) Payables from Financial Leasing Transactions(*)	128,034,474	127,871,430
d) Payables from Operating Lease Transaction	1,685,144	1,673,702
	<u>1,095,082,370</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.

Debt Securities	30 September 2022	31 December 2021
Short-term lease certificate	339,144,657	747,962,082
	<u>339,144,657</u>	<u>747,962,082</u>

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

Issue date	Maturity date	Rate of return	Nominal value	Amortization date	Amortization amount
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	17.40%	46,000,000	6 April 2021	48,280,588
24 February 2021	23 June 2021	17.70%	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
23 November 2021	22 March 2022	15.50%	120,000,000	22 March 2022	126,064,080
9 November 2021	1 March 2022	16.30%	200,000,000	1 March 2022	210,003,200
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	209,263,014
5 April 2022	5 July 2022	17.25%	250,000,000	5 July 2022	260,907,534
17 May 2022	23 August 2022	17.90%	200,000,000	23 August 2022	209,612,055
26 July 2022	25 October 2022	24.75%	100,000,000	25 October 2022	106,170,550
23 August 2022	29 November 2022	19.50%	230,000,000		242,041,926
		Total	<u>3,414,000,000</u>		

23. FINANCIAL INSTRUMENTS (cont'd)

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(Amounts expressed in Turkish Lira (TL).)

Financial Liabilities (cont'd)

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

Issue date	Maturity date	Rate of return	Entry amount	Amortization date	Issue amount
6 October 2017	30 March 2018	14.10%	93,668,000	30 March 2018	100,000,213
30 March 2018	19 September 2018	14.85%	74,739,200	19 September 2018	80,000,000
19 September 2018	21 December 2018	28.50%	46,615,000	21 December 2018	50,000,000

Interest rates of financial liabilities are as follows:

Financial Instrument	Currency	Weighted average interest rate	30 September 2022	
			Short-term	Long-term
Lease certificate	TL	21.12%	339,144,657	-
Fixed rate loan	TL	9.81%	36,215,801	314,297,295
Variable rate loan	TL	16.25%	275,705,000	-
Finance leasing	EUR	5.1%	68,224,330	59,810,142
Operating leasing	TL	23.5%	712,776	972,368
			720,002,564	375,079,805

Financial Instrument	Currency	Weighted average interest rate	31 December 2021	
			Short-term	Long-term
Lease certificate	TL	16.46%	747,962,082	-
Fixed rate loan	TL	9.77%	55,973,871	22,928,788
Variable rate loan	TL	17.80%	57,203,497	-
Finance leasing	EUR	5.10%	57,063,382	70,808,044
Operating leasing	TL	23.5%	1,201,447	472,259
			919,404,279	94,209,091

Maturities of financial liabilities are as follows:

	30 September 2022	31 December 2021
Payable within 1 year	720,002,564	919,404,279
Payable in 1 - 2 years	158,084,935	74,515,214
Payable in 2 - 3 years	85,476,280	19,693,877
Payable in 3 - 4 years	57,172,893	-
Payable in 4 - 5 years	42,836,713	-
Payable in more than 5 years	31,508,984	-
	1,095,082,369	1,013,613,370

24. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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(Amounts expressed in Turkish Lira (TL).)

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 2022, the Group's strategy has not been change from 2019. As of 30 September 2022 and 31 December 2021, 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:

	30 September 2022	31 December 2021
Financial Liabilities	1,096,054,737	1,013,613,370
Less: Cash and Cash equivalents	(159,216,601)	(53,109,547)
Net Debt	936,838,137	960,503,823
Total Equity	7,113,936,830	3,300,178,143
Total Capital	1,570,000,000	1,020,000,000
Net Debt/Total Capital Ratio	60%	94%

b) Financial risk factors

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

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

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(Amounts expressed in Turkish Lira (TL).)

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

	Receivables				Deposits at Banks
	Trade Receivables		Other Receivables		
30 September 2022	Related Party	Other	Related Party	Other	
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	-	11,607,200	-	-	159,216,601
- Secured portion of the maximum credit risk by collateral, etc. (**)	-	11,607,200	-	-	159,216,601
A. Net book value of financial assets that are neither past due nor impaired	-	11,607,200	-	-	159,216,601
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 collateral, etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by collateral, 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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(Amounts expressed in Turkish Lira (TL).)

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

31 December 2021	Receivables				
	Trade Receivables		Other Receivables		Deposits at Banks
	Related Party	Other	Related Party	Other	
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 collateral, 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
C. Net book value of the impaired assets	-	-	-	-	-
- Past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by collateral, etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by collateral, etc.	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

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

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

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

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

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

b.2) Liquidity risk management

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

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

Liquidity risk table:

30 September 2022

<u>Contractual Terms</u>	<u>Carrying value</u>	<u>Total Contractual</u>	<u>Less than 3</u>	<u>3 to 12</u>	<u>1 to 5</u>	<u>More than 5</u>
		<u>Cash Outflows</u>				
		<u>(I+II+III)</u>				
Non-derivative financial liabilities						
Bank loans	626,218,094	841,302,043	288,411,010	24,793,981	450,669,283	77,427,769
Debt securities issued	339,144,657	348,212,476	348,212,476	-	-	-
Financial lease liabilities	128,034,474	134,906,825	15,514,613	54,557,839	64,834,373	-
Long-term liabilities arising from operating leases	1,685,144	2,052,376	252,816	680,795	1,118,765	-
Trade payables	266,816,604	302,252,907	135,111,893	-	167,141,014	-
Other liabilities	62,752,227	62,752,228	62,752,228	-	-	-
Total liabilities	1,424,651,200	1,691,478,855	850,255,036	80,032,615	683,763,435	77,427,769

31 December 2021

<u>Contractual Terms</u>	<u>Carrying value</u>	<u>Total Contractual</u>	<u>Less than 3</u>	<u>3 to 12</u>	<u>1 to 5</u>	<u>More than</u>
		<u>Cash Outflows</u>				
		<u>(I+II+III)</u>				
Non-derivative financial liabilities						
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	-	-
Financial lease liabilities	127,871,430	141,975,146	16,079,902	48,628,579	77,266,665	-
Long-term liabilities arising from operating leases	1,673,702	1,879,031	425,208	934,263	519,560	-
Trade payables	140,532,099	163,402,089	55,532,099	-	107,869,990	-
Other liabilities	5,118,543	5,118,543	5,118,543	-	-	-
Total liabilities	1,159,264,012	1,225,183,743	677,589,004	335,636,671	211,958,068	-

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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:

	30 September 2022		
	TL Equivalent	US Dollar	Euro
1. Trade Receivables	-	-	-
2a. Monetary Financial Assets	29,623	2	1,631
2b. Non-monetary Financial Assets	-	-	-
3. Other	-	-	-
4. CURRENT ASSETS	29,623	2	1,631
5. Trade Receivables	1,535,436	-	84,646
6a. Monetary Financial Assets	-	-	-
6b. Non-monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	1,535,436	-	84,646
9. TOTAL ASSETS	1,565,059	2	86,277
10. Trade Payables	-	-	-
11. Financial Liabilities	68,233,413	-	3,754,824
12a. Monetary Other Liabilities	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-
13. CURRENT LIABILITIES	68,233,413	-	3,754,824
14. Trade Payables	-	-	-
15. Financial Liabilities	59,801,058	-	3,290,799
16a. Monetary Other Liabilities	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-
17. NON-CURRENT LIABILITIES	59,801,058	-	3,290,799
18. TOTAL LIABILITIES	128,034,470	-	7,045,623
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	126,469,412	(2)	6,959,346
21. Monetary items net foreign currency assets / liabilities (1+2a+5+6a-10-12a-14-16a)	(126,469,412)	2	(6,959,346)

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

Foreign currency sensitivity analysis

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

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

	30 September 2022			
	Profit / Loss		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
In case of US Dolar increases in 10% against TL				
1 - US Dolar net asset/liability	4	(4)	4	(4)
2- US Dolar hedges (-)	-	-	-	-
3- Net effect of US Dollar (1 +2)	4	(4)	4	(4)
In case of Euro increases in 10% against TL				
4 - Euro net asset/liability	(12,646,663)	12,646,663	(12,646,663)	12,646,663
5 - Euro hedges (-)	-	-	-	-
6- Net effect of Euro (4+5)	(12,646,663)	12,646,663	(12,646,663)	12,646,663
	(12,646,659)	12,646,659	(12,646,659)	12,646,659
31 December 2021				
	Profit / Loss		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
In case of US Dolar increases in 10% against TL				
1 - US Dolar net asset/liability	19	(19)	19	(19)
2- US Dolar hedges (-)	-	-	-	-
3- Net effect of US Dollar (1 +2)	19	(19)	19	(19)
In case of Euro increases in 10% against TL				
4 - Euro net asset/liability	(12,702,478)	12,702,478	(12,702,478)	12,702,478
5 - Euro hedges (-)	-	-	-	-
6- Net effect of Euro (4+5)	(12,702,478)	12,702,478	(12,702,478)	12,702,478
	(12,702,459)	12,702,459	(12,702,459)	12,702,459

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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>30 September 2022</u>	<u>31 December 2021</u>
Fixed Rate Instruments		
Financial Liabilities	819,377,370	956,409,873
Variable Rate Instruments		
Financial Liabilities	275,705,000	57,203,497

25. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)

	At fair value through profit or loss	Financial liabilitiesat amortized cost	Carrying value (*)	Note
30 September 2022				
<u>Financial assets</u>				
Cash and cash equivalents	159,216,601	-	159,216,601	27
Trade receivables	11,607,200	-	11,607,200	5
<u>Financial liabilities</u>				
Financial borrowings	-	1,095,082,369	1,095,082,369	23
Trade payables	-	135,111,890	135,111,890	5
Due to related parties	-	131,704,714	131,704,714	4
Other borrowings	-	16,480,275	16,480,275	14
31 December 2021				
<u>Financial assets</u>				
Cash and cash equivalents	53,109,547	-	53,109,547	27
Trade receivables	2,529,350	-	2,529,350	5
<u>Financial liabilities</u>				
Financial 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 borrowings	-	5,118,543	5,118,543	14

(*) The Group management considers that the book values of financial instruments reflect their fair values.

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

Fair Value of Financial Instruments

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

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

26. EVENTS AFTER THE REPORTING PERIOD

The paid-in capital of the Company's 100% subsidiary, Halk Yapı Projeleri Geliştirme A.Ş., was increased from 15 million TL to 115 million TL in cash, and the related capital increase was registered as of 10.10.2022.

27. NOTES ON THE STATEMENT OF CASH FLOWS

	30 September 2022	31 December 2021
Cash at banks	159,218,512	53,110,456
<i>Demand deposits (*)</i>	<i>101,388,611</i>	<i>2,131,214</i>
<i>Time deposits</i>	<i>57,829,901</i>	<i>50,979,242</i>
Provision for expected loss (-)	(1,911)	(909)
<i>Cash and cash equivalents in the statement of financial position</i>	<i>159,216,601</i>	<i>53,109,547</i>
Less: Interest rediscounts on cash and cash equivalents	(22,173)	(21,983)
<i>Cash and cash equivalents in the statement of cash flows</i>	<i>159,194,428</i>	<i>53,087,564</i>

(*) As of 30 September 2022 and 31 December 2021, there is blocked amount for salary payments to personnel from demand deposit amounts.

As of 30 September 2022 and 31 December 2021, the details of time deposits at banks are as follows:

30 September 2022	Amount	Interest rate	Maturity
<u>Time deposit</u>			
TL	57,767,318	14%	3 October 2022
TL	1,245	7%	3 October 2022
TL	27,240	15%	3 October 2022
TL	34,098	13.25%	3 October 2022
	57,829,901		
31 December 2021	Amount	Interest rate	Maturity
<u>Time deposit</u>			
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.

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

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

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

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

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

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

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

District Court denied the Bank's motion to dismiss the indictment on 1 October 2020. The Bank appealed the Court of Appeals Second Circuit for the motion to dismiss the indictment with regard to Foreign Sovereign Immunity Act (exemption from the jurisdiction of the US courts). On 23 December 2020, the Court of Appeals Second Circuit granted the Bank's motion to stay the case pending sovereign immunity appeal. 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.

Since the Bank will take its objection on Foreign State Immunity to the US Supreme Court (Supreme Court of the United States), in this process, it requested the Second Court of Appeal to stop the case from being sent back to the District Court. This request was accepted by the Second Court of Appeal on 14 January 2022. Legal proceedings in the District Court suspended pending the end of the U.S. Supreme Court process. The Bank filed its petition of appeal under Foreign State Immunity with the U.S. Supreme Court on 13 May 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)

Halkbank's petition for appeal was responded to by the Solicitor General, the Office of the Attorney General of the US Department of Justice, on 18 July 2022, and the Bank will submit its petition for a reply on 2 August 2022. On 28 September 2022, the US Court of Appeals considered the Bank's appeal and issued its decision on 3 October 2022 that it accepted the application.

In the next period, the US Supreme Court will begin to consider the Bank's appeal on the merits. Until the end of the Supreme Court process, the stay of the legal process in the US Southern District Court of New York, which is the court where the case was filed, on 14 January 2022, will continue. In the end, if the matter is concluded positively on the merits before the Court of Cassation, the case will be dismissed without going to trial. In case of a negative result, the case will be sent to the District Court again and the District Court will have to establish a new case schedule for the trial.

In addition, a civil case 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 related lawsuit was notified to the Parent 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 complaints of the complainants. The petition process in this context was completed on 16 December 2020. On 16 February 2021, the District Court accepted the objection of the Parent Bank for the incompatibility of the jurisdiction within the scope of the request for dismissal of the case, and rejected the case conditionally, 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 an oral defense hearing was held on 13 October 2022 before the Second Appeal. In the next process, the decision of the Second Appeal is expected.

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

29. FEES FOR SERVICES RECEIVED FROM THE INDEPENDENT AUDIT FIRM

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

	1 January- 30 September 2022	1 January- 30 September 2021
Independent audit fee for the reporting period	356,782	181,750
	356,782	181,750

30. FINANCIAL INVESTMENTS

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

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NOTES TO THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2022

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APPENDIX 1 CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO

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

The control of 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 CMB III. No: 48.1 is as follows:

	Financial statement primary account items	Regulation	30 September 2022 (TL)	31 December 2021 (TL)
A	Money and capital market instruments	Serial: III-48.1, Article 24/(b)	59,436,450	52,495,893
B	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article24/(a)	9,159,988,510	4,304,090,596
C	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		186,331,707	195,583,878
D	Total Assets	Serial: III-48.1, Article3/(k)	9,420,756,667	4,567,170,367
E	Loans and borrowings	Serial: III-48.1, Article31	832,242,895	880,711,941
F	Other financial liabilities	Serial: III-48.1, Article31		-
G	Financial leasing obligations	Serial: III-48.1, Article31	128,034,473	127,871,430
H	Due to related parties (non-trade)	Serial: III-48.1, Article23/(f)	-	-
I	Equity	Serial: III-48.1, Article31	7,112,068,422	3,297,726,118
	Other liabilities		1,348,410,877	261,160,880
D	Total liabilities and equity	Serial: III-48.1, Article3/(k)	9,420,756,667	4,567,470,369
	Other financial information	Regulation	30 September 2022 (TL)	31 December 2021 (TL)
A1	Portion of money and capital markets instruments for real estate payments of 3 years	Serial: III-48.1, Article24/(b)	-	-
A2	Time deposit/ demand deposit/ TL / foreign currency	Serial: III-48.1, Article24/(b)	59,436,450	52,795,893
A3	Foreign capital market instruments	Serial: III-48.1, Article24/(d)	-	-
B1	Foreign real estates, based on real estates projects, rights for real estates	Serial: III-48.1, Article24/(d)	-	-
B2	Idle land	Serial: III-48.1, Article24/(c)	-	-
C1	Foreign Subsidiaries	Serial: III-48.1, Article24/(d)	-	-
C2	Investment in the operating company	Serial: III-48.1, Article28	-	-
J	Non-cash loans	Serial: III-48.1, Article31	430,406,604	431,637,997
K	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article22/(e)	-	-
L	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article22/(l)	-	-

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

	Portfolio restriction	Regulations	Calculation	Minimum/Max Ratio	30 September 2022 (TL)	31 December 2021 (TL)
1	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article 22/(e)	K/D	Maximum 10%	-	-
2	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article 24/(a),(b)	(B+A1)/D	Minimum 51%	97.23%	94.23%
3	Money and capital market instruments and associates	Serial: III-48.1, Article 24/(b)	(A+C-A1)/D	Maximum 49%	0.79%	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%	19.55%	43.67%
8	Time deposit/ demand deposit/ TL / foreign currency	Serial: III-48.1, Article24/(b)	(A2-A1)/D	Maximum 10%	0.63%	1.16%
9	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article22/(l)	L/D	Maximum 10%	-	-