

**HALK GAYRİMENKUL YATIRIM
ORTAKLIĐI A.Ő.**

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

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

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

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

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

Introduction

We have reviewed the accompanying statement of financial position of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (the “Company”) as of 31 March 2020 and the related statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Company management is responsible for the preparation and fair presentation of this interim financial information in accordance with the Turkish Accounting Standards (“TAS”). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information is not prepared, in all material respects, in accordance with TAS.

Other Matters

As detailed in note 27, on 15 October 2019, an indictment prepared by the New York Southern District Attorney General of the United States (“US”) Department of Justice for violation of Iranian sanctions and a lawsuit was filed against the Parent Bank in the New York Southern District Court (“District Court”). The lawsuit action at the District Court is ongoing.

In addition, the appeal process of the case which resulted in conviction for the defendant former executive of the Parent Bank, who was released on 19 July 2019 and returned back to Turkey, is ongoing.

At this stage, the Parent Bank's Management stated that there were no penalty, sanction or measure arising from the ongoing case 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 financial statements of the Parent Bank related to these matters. Our opinion is not modified in respect of these matters.

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

Hasan Kılıç, SMMM
Partner

İstanbul, 14 May 2020

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HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

(Amounts expressed in Turkish Lira (TL))

		Reviewed	Audited
		31 March	31 December
	Notes	2020	2019
ASSETS			
Current Assets			
Cash and Cash Equivalents	26	50,398,484	74,285,277
Trade Receivables	5	7,491,608	11,511,709
<i>Trade Receivables from Related Parties</i>	4	60	3,114
<i>Trade Receivables from Third Parties</i>		7,491,548	11,508,595
Inventory	6	46,708,354	67,906,463
Prepaid Expenses	7	1,214,476	10,072,788
<i>Prepaid Expenses to Related Parties</i>	4	786,055	421,994
<i>Other Prepaid Expenses</i>		428,421	9,650,794
Current Tax Assets		1,284,466	1,024,761
Other Current Assets	13	29,723,745	27,427,289
<i>Other Current Assets</i>		29,723,745	27,427,289
		2,917,871,370	2,846,980,843
Non-Current Assets			
Trade Receivables	5	7,440,855	4,426,244
<i>Trade Receivables from Third Parties</i>		7,440,855	4,426,244
Investment Property	8	2,767,156,477	2,715,950,000
Property, Plant and Equipment	9	5,250,474	4,424,599
Intangible Assets	10	294,871	305,959
<i>Other Intangible Assets</i>		294,871	305,959
Prepaid Expenses	7	110,249,068	96,753,415
<i>Other Prepaid Expenses</i>		110,249,068	96,753,415
Other Non-Current Assets	13	27,479,625	25,120,626
<i>Other Non-Current Assets from Third Parties</i>		27,479,625	25,120,626
TOTAL ASSETS		3,054,692,503	3,039,209,130

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

(Amounts expressed in Turkish Lira (TL))

	Notes	Reviewed 31 March 2020	Audited 31 December 2019
LIABILITIES			
Current Liabilities			
Short-Term Liabilities	22	441,377,064	452,228,381
Short-Term Portion of Long-Term Borrowings	22	389,801,005	421,990,029
<i>Short-Term Portion of Long-Term Borrowings from Related Parties</i>		3,396,424	3,396,659
Trade Payables	5	3,396,424	3,396,659
<i>Trade Payables to Related Parties</i>	4	24,002,027	2,955,431
<i>Trade Payables to Third Parties</i>		381,301	55,804
Deferred Income (Excluding Liabilities Arising From Customer Contracts)	7	23,620,726	2,899,627
<i>Deferred Income from Third Parties (Excluding Liabilities Arising From Customer Contracts)</i>		12,039,709	13,423,297
Short-Term Provisions		12,039,709	13,423,297
<i>Short-Term Portion of Provisions Related to Employee Benefits</i>	12	1,797,719	1,594,925
<i>Other Current Provisions</i>	11	1,797,719	1,592,889
Other Current Liabilities	13	-	2,036
<i>Other Current Liabilities to Related Parties / Other Current Liabilities to Third Parties</i>		10,340,180	8,868,040
		10,340,180	8,868,040
Non-Current Liabilities			
Long-Term Borrowings	22	16,619,200	8,761,067
<i>Long-Term Financial Borrowings from Related Parties</i>		15,856,391	8,020,447
Long-Term Provisions	12	15,856,391	8,020,447
<i>Long-Term Portion of Provisions Relating to Employee Benefits</i>		762,809	740,620
		762,809	740,620
EQUITY			
Share Capital	14	2,596,696,239	2,578,219,682
Treasury Shares (-)	14	928,000,000	928,000,000
Share Premium/Discounts		(26,162,328)	(26,162,328)
Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		49,945,096	49,945,096
- <i>Gains on remeasurement of defined benefit plans</i>		(23,610)	(23,610)
Restricted Reserves Appropriated from Profit	14	(23,610)	(23,610)
Retained Earnings		49,937,018	49,937,018
Net Profit For The Period		1,576,523,506	1,255,115,292
TOTAL LIABILITIES AND EQUITY		18,476,557	321,408,214
		3,054,692,503	3,039,209,130

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

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

(Amounts expressed in Turkish Lira (TL))

		Reviewed	Reviewed
		1 January- 31 March 2020	1 January- 31 March 2019
	Notes		
Revenue	15	50,063,344	21,267,301
Cost of Sales (-)	15	(24,031,097)	(2,818,169)
GROSS PROFIT		26,032,247	18,449,132
General Administrative Expenses (-)	17	(3,892,875)	(3,370,046)
Marketing and Selling Expenses (-)	17	(1,877,427)	(1,512,308)
Other Income from Operating Activities	18	616,601	1,245,443
Other Expenses from Operating Activities (-)	18	(784,640)	(99,359)
OPERATING PROFIT		20,093,906	14,712,862
Gain (Loss) from Investments Accounted Through Equity Method	8	101,250	-
OPERATING PROFIT BEFORE FINANCE EXPENSE		20,195,156	14,712,862
Finance Expenses (-)	19	(1,718,599)	(2,563,443)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		18,476,557	12,149,419
TAX EXPENSE		-	-
PROFIT (LOSS) FOR THE PERIOD		18,476,557	12,149,419
Earnings per Share		0.0199	0.0131
OTHER COMPREHENSIVE INCOME			
TOTAL COMPREHENSIVE INCOME (LOSS)		18,476,557	12,149,419

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

REVIEWED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 31 MARCH 2020

(Amounts expressed in Turkish Lira (TL))

	Share Capital	Treasury Shares	Share Premium / Discounts	Accumulated Other Comprehensive Income or Expenses that will not be Reclassified to Profit or Loss	Accumulated Gain/Loss on Remeasurement of Defined Benefit Plans	Restricted Reserves Appropriated from Profit	Retained Earnings		Equity
							Prior Years' Profits / Losses	Net Profit/Loss for the Period	
Balances as of 1 January 2019	858.000.000	(24.188.879)	49.945.096	-	(81.503)	42.011.650	954.587.570	389.984.404	2.270.258.338
Transfers	-	-	-	-	-	-	389.984.404	(389.984.404)	-
Total Comprehensive Income	-	-	-	-	-	-	-	12.149.419	12.149.419
Balances as of 31 March 2019	858.000.000	(24.188.879)	49.945.096	-	(81.503)	42.011.650	1.344.571.974	12.149.419	2.282.407.757
Balances as of 1 January 2020	928.000.000	(26.162.328)	49.945.096	-	(23.610)	49.937.018	1.255.115.292	321.408.214	2.578.219.682
Transfers	-	-	-	-	-	-	321.408.214	(321.408.214)	-
Total Comprehensive Income	-	-	-	-	-	-	-	18.476.557	18.476.557
Balances as of 31 March 2020	928.000.000	(26.162.328)	49.945.096	-	(23.610)	49.937.018	1.576.523.506	18.476.557	2.596.696.239

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

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

(Amounts expressed in Turkish Lira (TL))

	Notes	Reviewed 1 January- 31 March 2020	Reviewed 1 January- 31 March 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit (Loss) for the Period		18.476.557	12.149.419
Adjustments to Reconcile Net Profit for the Period			
- Adjustments Related to Depreciation and Amortization Expenses	9-10	751.593	224.083
- Adjustments Related to Provisions	11-12	249.055	291.493
- Adjustments Related to Interest Income and Expenses	15-19	855.724	1.652.212
- Adjustments Related to Gains / (Losses) in Fair Value	8	(101.250)	-
- Adjustments Related to (Increase) / Decrease in Inventories	6	21.105.859	2.267.103
- Adjustments Related to (Increase) / Decrease in Trade Receivables		1.005.490	(4.206.620)
- (Increase) / Decrease in Prepaid Expenses		(4.637.341)	3.115.565
- (Increase) / Decrease in Other Assets		(4.915.160)	(1.688.020)
- Adjustments Related to Increase / (Decrease) in Trade Payables		21.046.596	(607.597)
- Adjustments Related to Increase / Decrease in Deferred Revenue (Excluding Liabilities Arising From Customer Contracts)		(1.383.588)	1.202.094
- Adjustments Related to Increase/(Decrease) in Other Liabilities		1.472.140	(8.767.271)
Cash Generated from Operations		53.925.675	5.632.461
Interest Received		652.091	592.014
Other Cash Inflows/ Outflows		(190.162)	(171.790)
		54.387.604	6.052.685
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Outflows for Purchase of Property, Plant and Equipment and Intangible Assets	9-10	(1.566.380)	(2.964.647)
Cash Outflows for Investment Properties	8-19	(41.389.565)	(7.630.360)
Proceeds from Disposals of Investment Properties	8	1.419.062	-
		(41.536.883)	(10.595.007)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		280.766.200	171.500.098
Cash Used for Repayment of Borrowings		(305.285.605)	(153.783.257)
Interest Paid		(12.384.199)	(17.089.733)
		(36.903.604)	627.108
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		(24.052.883)	(3.915.214)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		74.201.099	28.601.528
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	26	50.148.216	24.686.314

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED FINANCIAL STATEMENTS
AS OF 31 MARCH 2020

(Amounts expressed in Turkish Lira (TL))

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

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

The operations of the Company, its portfolio management policies and limitations are consistent with the regulatory requirements of the CMB. Investment property portfolio of the Company consists of lands and rental properties which are used as bank branches and bank headquarter. The Company obtained its license to operate by the CMB’s approval dated 24 September 2010 and numbered 9546, and registered in the CMB. The registered capital ceiling of the Company is TL 1,500,000,000. The paid in capital of the Company is TL 928,000,000 of which TL 196,217,979 was paid in cash whereas TL 466,282,021 was paid in kind and TL 265,500,000 was incorporated from reserves internally appropriated (by bonus issue).

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

As of 31 March 2020, the number of personnel employed in the Company is 43 (31 December 2019: 42).

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

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

The capital increase is detailed as follows:

Date	Share Capital	Capitalisation	Increase Value	Funds
19 December 2017	477,000,000	Rights issue	-	Founding 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' profits
5 June 2014	697,900,000	Bonus issue	24,261,296	Prior years' profits
11 June 2015	743,000,000	Bonus issue	45,100,000	Prior years' profits
25 May 2016	790,000,000	Bonus issue	47,000,000	Prior years' profits
15 August 2017	820,000,000	Bonus issue	30,000,000	Prior years' profits
8 June 2018	858,000,000	Bonus issue	38,000,000	Prior years' profits
17 June 2019	928,000,000	Bonus issue	70,000,000	Prior years' profits

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED FINANCIAL STATEMENTS
AS OF 31 MARCH 2020

(Amounts expressed in Turkish Lira (TL))

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

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

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

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

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

<u>Joint operations</u>	<u>Type of activity</u>	<u>Main activity fields</u>
Halk GYO-Vakıf GYO Joint Operation	Construction	Real Estate Construction
Halk GYO-Erkonut Joint Operation	Construction	Real Estate Construction
Teknik Yapı-Halk GYO Joint Operation	Construction	Real Estate Construction

Approval of financial statements:

The Board of Directors has approved the financial statements and delegated authority for publishing it on 14 May 2020. The General Assembly has the authority to modify the financial statements.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance in TFRS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets" ("the Communiqué"), which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards ("TFRS") and interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

In addition, the financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 15 April 2019.

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

Currency Used

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED FINANCIAL STATEMENTS
AS OF 31 MARCH 2020

(Amounts expressed in Turkish Lira (TL))

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

2.1 Basis of Presentation (cont'd)

Comparative Information and Reclassification of Prior Period Financial Statements

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

Interests in joint operations:

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

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

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

The Company 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 Company.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED FINANCIAL STATEMENTS
AS OF 31 MARCH 2020

(Amounts expressed in Turkish Lira (TL))

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

2.3 New and Amended Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2020

Amendments to TFRS 3	<i>Definition of a Business</i>
Amendments to TAS 1 and TAS 8	<i>Definition of Material</i>
Amendments to TFRS 9, TAS 39 and TFRS 7	<i>Interest Rate Benchmark Reform</i>

Amendments to TFRS 3 *Definition of a Business*

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

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

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

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

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

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

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

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

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or NonCurrent</i>

TFRS 17 *Insurance Contracts*

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

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

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

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2022 and earlier application is permitted.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED FINANCIAL STATEMENTS
AS OF 31 MARCH 2020

(Amounts expressed in Turkish Lira (TL))

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

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).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Revenue

Revenue is recognized when it is probable that an economic gain will be realized to the Company 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 customer receives the control of the property, the real estate is considered as transferred.

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

Rental income from real estate leases:

Rental income from real estates is recognized on an accrual and a straight line basis through the related lease contract. If there are other benefits to the tenants of the Company, 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 Company 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 Company 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 Company recognizes revenue from the sale of the lands designed in the scope of "Land Sale of Revenue Sharing Agreement" (LSRSA) when transfer of legal ownership of land is transferred to the buyer. When the legal ownership is not transferred, the Company books its share of revenue as deferred income. The Company's share (land sales income) in Total Sales Revenue ("TSR") is recorded as revenue from sale of land and related cost is recognised as cost of land sold in the statement of profit or loss.

Inventories

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

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(Amounts expressed in Turkish Lira (TL))

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

2.4 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment

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 Company as Lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company 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 Company 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 Company uses its incremental borrowing rate.

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

2.4 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

The Company 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 Company 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.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- 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 Company 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 Company 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.

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(Amounts expressed in Turkish Lira (TL))

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

2.4 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

The Company as Lessee (cont'd)

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 Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

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

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

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

The Company as lessor

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

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

When the Company 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 Company applies TFRS 15 to allocate the consideration under the contract to each component.

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2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)
2.4 Summary of Significant Accounting Policies (cont'd)

Intangible Assets

Intangible assets acquired separately

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

Computer software

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

Derecognition of intangible assets

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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(Amounts expressed in Turkish Lira (TL))

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

2.4 Summary of Significant Accounting Policies (cont'd)

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 Company 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 Company 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 Company measures a financial asset at its fair value, except for trade receivables that do not contain significant financing component. The Company 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 Company measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. A regular way purchase or sale of financial assets shall be recognized using trade date accounting or settlement date accounting.

The Company 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 Company's business model for managing the financial assets and (b) the contractual cash flow characteristics of the financial asset. When, and only when, the Company changes its business model for managing financial assets it shall reclassify all affected financial assets. If the Company reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date the Company shall not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

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

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Financial assets at amortized cost

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

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

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

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

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

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

Financial assets at FVTOCI

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

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Financial assets at FVTOCI (cont'd)

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

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

Financial assets at FVTPL

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

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

Impairment

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Impairment (cont'd)

At each reporting date, the Company 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 Company only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

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

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

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

(b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies: When the Company 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 Company does not reclassify any financial liability.

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

2.4 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Recognition and derecognition of financial assets

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

Derivative financial instruments and financial risk hedge accounting

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

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

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Effect of Exchange Differences

Foreign Currency Balances and Transactions

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

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

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

Earnings Per Share

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

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

Events After the Reporting Period

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Provisions, Contingent Assets and Liabilities

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

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

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

Investment Properties

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

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

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

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

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

2.4 Summary of Significant Accounting Policies (cont'd)

Income Taxes

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

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

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

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

Deferred tax

Since the Company 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 Company. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 (Revised) *Employee Benefits* ("TAS 19").

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

Profit-sharing and bonus plans

The Company 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 Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

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

2.4 Summary of Significant Accounting Policies (cont'd)

Statement of Cash Flows

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

Share Capital and Dividends

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

2.5 Segment Reporting

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

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the entity's accounting policies

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

Useful lives of property, plant and equipment

The Company reviews the estimated useful lives of its property, plant and equipment at the end of each reporting period. The Company 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 Company's financial statements.

The Company generally uses the final appreciation value in Independent valuation expert reports to determine fair value, but also uses more conservative values such as the cost or sample comparison used by the expert in the relevant reports when it deems necessary and predicts it is more reasonable.

Borrowing costs

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

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3. INTERESTS IN OTHER ENTITIES

Joint Operations

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

	31 March 2020	31 December 2019
Halk GYO-Vakıf GYO Joint Operation	50%	50%
Halk GYO-Erkonut Joint Operation	50%	50%
Halk GYO-Teknik Yapı Joint Operation	50%	50%

Halk GYO-Vakıf GYO Joint Operation

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

	31 March 2020	31 December 2019
Halk GYO-Vakıf GYO Joint Operation		
Current assets	52,512,403	76,266,214
Non-current assets	11,921,106	9,892,027
Current liabilities	(3,650,594)	(3,922,897)
	1 January- 31 March 2020	1 January- 31 December 2019
Profit for the period	6,363,341	17,636,097

Halk GYO-Erkonut Joint Operation

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

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3. INTERESTS IN OTHER ENTITIES (cont'd)

Joint Operations (cont'd)

Halk GYO-Erkonut Joint Operation (cont'd)

	31 March 2020	31 December 2019
Halk GYO-Erkonut Joint Operation	<u>2020</u>	<u>2019</u>
Current assets	9,071,450	9,212,839
Non-current assets	-	-
Current liabilities	(841,093)	(680,156)
	1 January- 31 March 2020	1 January- 31 December 2019
Profit / (Loss) for the period	<u>(89.689)</u>	<u>199.842</u>

Halk GYO-Teknik Yapı Joint Operation

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

	31 March 2020	31 December 2019
Halk GYO-Teknik Yapı Joint Operation	<u>2020</u>	<u>2019</u>
Current assets	13,140,071	19,530,554
Non-current assets	9,363,346	2,307,748
Current liabilities	(35,936,828)	(44,683,306)
Non-current liabilities	(11,117,087)	(10,254,938)
	1 January- 31 March 2020	1 January- 31 December 2019
Loss for the period	<u>(2,389,792)</u>	<u>(12,581,338)</u>

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4. RELATED PARTY DISCLOSURES

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

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

	31 March 2020	31 December 2019
<u>Deposits at Halk Bank</u>		
Demand deposits	611,491	715,995
Time deposits	<u>49,777,737</u>	<u>73,575,405</u>
	<u>50,389,228</u>	<u>74,291,400</u>
<u>Related party balances</u>		
Halk Varlık Yönetimi A.Ş. lease certificate issuance (Note 22)	343,018,836	367,171,740
Short-term loans received from Halk Bank	22,466,810	31,143,131
Long-term loans received from Halk Bank	11,385,051	1,058,667
Halk Leasing Finansal Lease agreement liabilities (Note 22)	<u>19,441,460</u>	<u>21,549,682</u>
	<u>396,312,157</u>	<u>420,923,220</u>

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4. RELATED PARTY DISCLOSURES (cont'd)

	31 March 2020					Prepaid Expenses
	Receivables		Payables		Short-term	
	Short-term		Short-term	Long-term		
Balances with related parties	Trade	Non-trade	Trade	Non-trade	Non-trade	Trade
<u>Shareholders</u>						
Halkbank A.Ş.	60	-	2,989	22,466,810	11,385,051	-
<u>Other companies controlled by main shareholder</u>						
Halk Hayat ve Emeklilik A.Ş.	-	-	-	-	-	104
Halk Leasing Finansal Kiralama A.Ş.(*)	-	-	-	15,503,722	3,937,738	9,179
Halk Varlık Kiralama A.Ş.	-	-	-	343,018,836	-	-
Halk Sigorta A.Ş.	-	-	378,312	-	-	776,772
	<u>60</u>	<u>-</u>	<u>381,301</u>	<u>380,989,368</u>	<u>15,322,789</u>	<u>786,055</u>
31 December 2019						
	Receivables		Payables		Prepaid Expenses	
	Short-term		Short-term			Short-term
	Trade	Non-trade	Trade	Non-trade		
Balances with related parties	Trade	Non-trade	Trade	Non-trade	Non-trade	Trade
<u>Shareholders</u>						
Halkbank A.Ş.	627	-	10,322	31,143,131	1,058,667	-
<u>Other companies controlled by main shareholder</u>						
Halk Hayat ve Emeklilik A.Ş.	-	-	-	-	-	7,246
Halk Leasing Finansal Kiralama A.Ş.(*)	2,487	-	-	15,332,102	6,217,580	-
Halk Varlık Kiralama A.Ş.	-	-	-	367,171,740	-	-
Halk Sigorta A.Ş.	-	-	45,482	-	-	414,748
	<u>3,114</u>	<u>-</u>	<u>55,804</u>	<u>413,646,973</u>	<u>7,276,247</u>	<u>421,994</u>

(*) The Company 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 Company 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 1,760,113 has been capitalized (31 December 2019: TL 4,157,949).

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4. RELATED PARTY DISCLOSURES (cont'd)

Transactions with related parties	1 January - 31 March 2020					Finance Expenses
	Interest income	Interest expenses	Currency difference expenses	Rent income	Other expenses	Capitalized on Investment Properties
Shareholders						
Halkbank A.Ş.	(1,819,695)	1,077,362	-	(11,032,076)	52,543	1,324,378
Other companies controlled by the parent						
Halk Varlık Kiralama A.Ş.	-	10,606,739	-	-	-	(10,606,739)
Halk Hayat ve Emeklilik A.Ş.	-	-	-	(20,029)	8,323	-
Halk Leasing Finansal Kiralama A.Ş.	-	195,413	1,564,700	-	-	(1,760,113)
Halk Sigorta A.Ş.(*)	-	-	-	-	314,966	-
	<u>(1,819,695)</u>	<u>11,879,514</u>	<u>1,564,700</u>	<u>(11,052,105)</u>	<u>375,832</u>	<u>(11,042,474)</u>

(*) The amount consists of building and health insurance services from Halk Sigorta A.Ş.

Transactions with related parties	1 January - 31 March 2019					Finance Expenses
	Interest income	Interest expenses	Currency difference expenses	Rent income	Other expenses	Capitalized on Investment Properties
Shareholders						
Halkbank A.Ş.	(1,366,839)	1,568,152	-	(10,517,588)	-	200,972
Other companies controlled by the parent						
Halk Hayat ve Emeklilik A.Ş.	-	-	-	-	-	-
Halk Sigorta A.Ş.	-	-	-	(19,053)	-	4,537
Halk Leasing Finansal Kiralama A.Ş.	-	-	-	-	-	309,180
Halk Sigorta A.Ş.(*)	-	-	-	-	-	-
	<u>(1,366,839)</u>	<u>1,568,152</u>	<u>-</u>	<u>(10,536,641)</u>	<u>-</u>	<u>514,689</u>

Compensation of key management personnel:

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

	1 January- 31 March 2020	1 January- 31 March 2019
Salaries and other short-term benefits	560,646	486,332
	<u>560,646</u>	<u>486,332</u>

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

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

	31 March 2020	31 December 2019
Current trade receivables		
Trade receivables	7,594,523	11,624,875
Receivables from related parties (Note 4)	60	3,114
Allowance for doubtful receivables (-) (*)	(102,975)	(116,280)
	<u>7,491,608</u>	<u>11,511,709</u>

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

	1 January- 31 March 2020	1 January- 31 December 2019
Movement of allowance for doubtful receivables		
Opening balance	(116,280)	(98,558)
Provisions reversed	13,305	-
Charge for the period	-	(17,722)
Closing balance	<u>(102,975)</u>	<u>(116,280)</u>

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

	31 March 2020	31 December 2019
Short-term trade receivables from sale of residences and rental properties		
Sale of residences	1,282,348	5,488,061
<i>Eskişehir Panorama Plus project</i>	-	1,388,928
<i>Bizimtepe Aydos project</i>	157,607	2,922,933
<i>Referans Bakırköy project</i>	1,029,528	938,552
<i>Erzurum Şehristan project</i>	95,213	237,648
Rental properties (*)	<u>6,312,235</u>	<u>6,139,928</u>
	<u>7,594,583</u>	<u>11,627,989</u>

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

As of 31 March 2020, the total of overdue trade receivables (notes) is TL 1,262,540 (31 December 2019: TL 1,408,956).

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5. TRADE RECEIVABLES AND PAYABLES (cont'd)

a) Trade Receivables (cont'd):

	31 March 2020	31 December 2019
Non-current trade receivables	7,485,461	4,470,954
Trade receivables	(44,606)	(44,710)
Allowance for doubtful receivables (-) (*)	<u>7,440,855</u>	<u>4,426,244</u>

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

	31 March 2020	31 December 2019
Long-term trade receivables from sale of residences	7,485,461	4,470,954
Sale of residences	4,917,606	3,082,027
<i>Bizimtepe Aydos project</i>	2,567,855	1,388,927
<i>Eskişehir Panorama Plus project</i>	<u>7,485,461</u>	<u>4,470,954</u>

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

b) Trade Payables:

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

	31 Mart 2020	31 December 2019
Short-term trade payables	23,620,726	2,899,627
Trade payables	381,301	55,804
Trade payables to related parties (Note 4)	<u>24,002,027</u>	<u>15,628,217</u>

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

6. INVENTORIES

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

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6. INVENTORIES (cont'd)

Land stocks	31 December 2018				Transfer	31 March 2019
	Cost value	Addition	Disposal			Cost value
Referans Bakırköy Residence Project ⁽¹⁾	473,957	-	-	-	473,957	
Panaroma Plus Residence Project ⁽²⁾	4,633,813	-	(244,295)	-	4,389,518	
Sancaktepe - Residence Project ⁽³⁾	69,511,723	-	(1,485,222)	-	68,026,501	
Erzurum - Şehristan Project ⁽⁴⁾	27,714,455	-	(852,330)	-	26,862,125	
İzmir Project ⁽⁵⁾	6,601,383	314,744	(784,777)	-	6,131,350	
Total	108,935,331	314,744	(3,366,624)	-	105,883,451	

⁽¹⁾ The Company has arranged a bid to develop a project on Bakırköy Land as Land Sale of Revenue Sharing Agreement (LSRSA) and as a consequence signed a contract with a firm on 17 February 2012. The projected land cost of the Company is TL 31,765,625. The company received its first building license on 31 May 2012. There are 254 and 73 commercial units in the Referans Bakırköy project. The Company issued condominium deeds on 29 April 2015. In 2017, the Company realized sharing in-kind and while 27 independent units left to the contractor, 9 independent units remained in the Company. Within the period of 31 March 2020, 1 house sales revenue amounting to TL 357,000 and cost of sales amounting to TL 225,272 have been recorded (31 December 2019: transfer of 1 deeds, revenue in the amount of TL 808,000 and cost of sales relating to these sales amounting to TL 159,318. Cost of sales includes taxes, duties and charges). There is no restriction on the land stock.

⁽²⁾ The Company has obtained a construction license on a land of 13,073 square meters located in Eskişehir, Odunpazarı, Osmangazi Mahallesi, in old parcel no 1452 89, 90 and 110 on 22 April 2013. There are 97 residences and 5 commercial units in the project. The construction servitude and condominium title deeds of 97 residences and 5 commercial units were issued on 30 December 2014 and 2 November 2015, respectively. Within period of 31 March 2020, after the transfer of property deeds of 1 independent units, sales revenue amounting to TL 730,000 has been recognized under revenue and TL 725,882 has been recognized under cost of sales. (31 December 2019: transfer of 4 deeds, revenue in the amount of TL 2,770,000 and cost of sales relating to these sales amounting to TL 2,434,883). Cost of sales includes taxes, duties and charges. There is no restriction on the land stock.

⁽³⁾ As at 16 October 2014, a land was purchased in Istanbul, Sancaktepe, Samandıra Mahallesi for TL 110,000,000 by Halk GYO-Vakıf GYO Joint Operation for real estate development project. The main contractor services agreement was signed at 22 October 2015 and the construction permit was granted on 6 November 2015. The Company issued property deeds on 8 February 2019. As of 31 March 2020, delivery process of 88 independent units has been completed. Total sales amounting to TL 28,490,540 and TL 21,288,887 cost of sales have been recognized (31 December 2019: transfer of 59 independent units, sales income amounting to TL 17,629,163 and cost of sales amounting to TL 13,021,013 have been recognized as income from residence sales and cost of residences).

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

⁽⁵⁾ As of 24 August 2017, Halk GYO and Teknik Yapı Joint Operation signed a LSRSA contract for a mixed project on the parcels located in İzmir, Konak Province, Umurbey and Kuruçay districts and this amount comprise of the official expenses made for the project. There is no restriction on the land. In the scope of the 1st Phase LSRSA contract (Evora İzmir), the building licenses for 451 residences with Lot no. 7700 and Parcel no. 1 were received on 27 September 2018, and the building licences for 321 residences wit Lot no. 7689 and Parcel no. 1 were received on 21 November 2018. The total number of independent units, licences of which are received, is 772. As of 31 March 2020, a preliminary sales contract was signed for 16 independent units. (31 December 2019: for 34 independent units, a preliminary sales contract was signed.)

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7. PREPAID EXPENSES AND DEFERRED INCOME

	31 March 2020	31 December 2019
Short-Term Prepaid Expenses		
Order advances given	-	9,557,421
Prepaid insurance expenses (Note 4)	786,055	421,994
Other	428,421	93,373
	<u>1,214,476</u>	<u>10,072,788</u>
Long-Term Prepaid Expenses		
Investment advances given	110,216,419	96,714,586
Other	32,649	38,829
	<u>110,249,068</u>	<u>96,753,415</u>
Investment Advances Given		
İstanbul Finance Center project	102,015,507	96,709,219
İzmir Evora project	8,195,545	9,557,421
Caddebostan project	5,367	5,367
	<u>110,216,419</u>	<u>106,272,007</u>
Short-Term Deferred Income		
Deferred residential sale income	12,037,445	11,939,883
Advance rents	2,264	1,483,414
	<u>12,039,709</u>	<u>13,423,297</u>
Deferred Residence Sales Income		
İzmir Evora project	8,718,935	8,718,935
Bizimtepe Aydos project	2,033,856	2,140,027
İstanbul Salıpaazarı building	-	1,451,400
Erzurum Şehristan project	568,105	340,389
Bakırköy project	710,643	710,592
Eskişehir Odunpazarı project	8,170	61,954
	<u>12,039,709</u>	<u>13,423,297</u>

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8. INVESTMENT PROPERTIES

Fair value measurement of the Company's investment properties

As of 31 December 2019, the fair value of the Company's investment properties have been determined by Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. which is an appraisal firm not related to Company. The management of the Company evaluates that these values reflect the fair value of the investment properties as of 31 March 2020 with the investment expenditures made in the first 3 months of 2020. Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş is authorized by CMB and has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value of the properties owned is determined according to the sample comparison approach and cost value that reflects the current transaction prices for similar properties.

In estimating the fair value of the properties, the highest and best value in use of the properties is considered.

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

	Fair value as at the reporting date			
	31 March	Level 1	Level 2	Level 3
	2020	TL	TL	TL
Lands	32,400,000	-	32,400,000	-
Buildings	1,271,998,500	-	678,578,500	593,420,000
Investment properties under development	1,462,757,977	-	27,094,123	1,435,663,854
	<u>2,767,156,477</u>	<u>-</u>	<u>738,072,623</u>	<u>2,029,083,854</u>

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

There were no transfers between Level 1, Level 2 and Level 3 in the current year.

As of 31 March 2020, the total amount of insurance on investment properties is TL 1,637,288,194 (31 December 2019: TL 1,610,135,654). As of 31 March 2020, the total amount of capitalized finance cost on investment properties is TL 112,384,801 (31 December 2019: TL 101,342,328).

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

(Amounts expressed in Turkish Lira (TL))

8. INVESTMENT PROPERTIES (cont'd)

	31 December 2019				Fair value	31 March 2020
<u>Investment properties</u>	Fair value	Addition	Disposal	Transfer	difference	Fair value
İstanbul Salıhpazarı Land	8,200,000	-	-	-	-	8,200,000
Erzurum Yakutiye Land	9,850,000	-	-	-	-	9,850,000
Erzurum Palandöken Lands	14,350,000	-	-	-	-	14,350,000
Total lands	32,400,000	-	-	-	-	32,400,000
İstanbul Karaköy Building	40,000,000	-	-	-	-	40,000,000
İstanbul Salıhpazarı Building	85,000,000	-	-	-	-	85,000,000
İzmir Konak Building-1	33,900,000	-	-	-	-	33,900,000
Ankara Kızılay Building	22,400,000	-	-	-	-	22,400,000
İstanbul Beyoğlu Building	33,350,000	-	-	-	-	33,350,000
İstanbul Beşiktaş Building	22,750,000	-	-	-	-	22,750,000
İstanbul Etiler Building	23,700,000	-	-	-	-	23,700,000
İstanbul Şişli Building	20,000,000	-	-	-	-	20,000,000
İzmir Konak Building-2	18,250,000	-	-	-	-	18,250,000
Ankara Başkent Building	14,000,000	-	-	-	-	14,000,000
İstanbul Bakırköy Building	27,750,000	-	-	-	-	27,750,000
Bursa Building	17,250,000	-	-	-	-	17,250,000
Ankara Bahçelievler Building 1	11,550,000	-	-	-	-	11,550,000
Kocaeli Building	14,500,000	-	-	-	-	14,500,000
İstanbul Fatih Building	14,975,000	-	-	-	-	14,975,000
Sakarya Adapazarı Building	9,500,000	-	-	-	-	9,500,000
Ankara Bahçelievler Building 2	8,250,000	-	-	-	-	8,250,000
İstanbul Ataköy Building	14,750,000	-	-	-	-	14,750,000
İstanbul Nişantaşı Building	11,500,000	-	-	-	-	11,500,000
Halkbank Finance Tower Kule	313,200,000	-	-	-	-	313,200,000
Park Dedeman Levent Hotel	275,000,000	-	-	-	-	275,000,000
Kocaeli Şekerpınar A Block	138,500,000	-	-	-	-	138,500,000
Kocaeli Şekerpınar Office Project	94,920,000	-	-	-	-	94,920,000
Eskişehir B12 Apartment	685,000	-	(685,000)	-	-	-
Eskişehir B13 Apartment	710,000	-	(710,000)	-	-	-
Bizimtepe Aydos T 1-2-3 No BB Nursery	2,358,000	-	-	-	-	2,358,000
Bizimtepe Aydos T 17-18-19-20-21-22 No BB Market	1,666,500	-	-	-	-	1,666,500
Bizimtepe Aydos T 13 No. BB Dried Nuts and Fruits	209,500	-	-	-	-	209,500
Bizimtepe Aydos T 16 No. BB Hairdresser	276,000	-	-	-	-	276,000
Bizimtepe Aydos T 26 No. BB Real Estate Agency	325,500	-	-	-	-	325,500
Bizimtepe Aydos T 25 No. BB Pharmacy	323,000	-	-	-	-	323,000
Bizimtepe Aydos T 23-24 No. BB Real Estate Agency	1,046,500	-	-	-	-	1,046,500
Bizimtepe Aydos T 39-40-41-42-43-44 No. BB Gift Shop	605,000	-	-	-	-	605,000
Bizimtepe Aydos T 27-28 No BB Real Estate Agency	-	-	-	92,250	101,250	193,500
Total buildings	1,273,200,000	-	(1,395,000)	92,250	101,250	1,271,998,500
İstanbul Finance Center Project	1,383,250,000	52,413,853	-	-	-	1,435,663,853
İstanbul Caddebostan Building Project	27,100,000	18,186	(24,062)	-	-	27,094,124
Total investment properties						
under development	1,410,350,000	52,432,039	(24,062)	-	-	1,462,757,977
Total	2,715,950,000	52,432,039	(1,419,062)	92,250	101,250	2,767,156,477

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE REVIEWED FINANCIAL STATEMENTS
AS OF 31 MARCH 2020**

(Amounts expressed in Turkish Lira (TL))

8. INVESTMENT PROPERTIES (cont'd)

	31 December 2018			Fair value	31 March 2019
<u>Investment properties</u>	Fair value	Addition	Transfer	difference	Fair value
İstanbul Salıpazarı Land	7,286,000	-	-	-	7,286,000
Total lands	7,286,000	-	-	-	7,286,000
İstanbul Karaköy Building	37,825,000	-	-	-	37,825,000
İstanbul Salıpazarı Building	81,056,000	-	-	-	81,056,000
İzmir Konak Building-1	28,794,550	-	-	-	28,794,550
Ankara Kızılay Building	18,714,823	-	-	-	18,714,823
İstanbul Beyoğlu Building	28,741,669	-	-	-	28,741,669
İstanbul Beşiktaş Building	21,346,000	-	-	-	21,346,000
İstanbul Etiler Building	20,526,000	-	-	-	20,526,000
İstanbul Şişli Building	18,844,404	-	-	-	18,844,404
İzmir Konak Building-2	16,186,796	-	-	-	16,186,796
Ankara Başkent Building	12,642,550	-	-	-	12,642,550
İstanbul Bakırköy Building	25,154,333	-	-	-	25,154,333
Bursa Building	16,110,000	-	-	-	16,110,000
Ankara Bahçelievler Building 1	10,770,670	-	-	-	10,770,670
Kocaeli Building	13,100,920	-	-	-	13,100,920
İstanbul Fatih Building	13,475,250	-	-	-	13,475,250
Sakarya Adapazarı Building	10,979,699	-	-	-	10,979,699
Ankara Bahçelievler Building 2	9,000,000	-	-	-	9,000,000
İstanbul Ataköy Building	12,954,666	-	-	-	12,954,666
İstanbul Nişantaşı Building	10,288,500	-	-	-	10,288,500
Halkbank Finance Tower	228,385,286	-	-	-	228,385,286
Park Dedeman Levent Hotel	246,138,000	-	-	-	246,138,000
Kocaeli Şekerpınar A Block	137,773,786	-	-	-	137,773,786
Kocaeli Şekerpınar Office Project	77,995,312	-	-	-	77,995,312
Eskişehir B12 Apartment	680,248	-	-	-	680,248
Eskişehir B13 Apartment	703,173	-	-	-	703,173
Total buildings	1,098,187,635	-	-	-	1,098,187,635
İstanbul Finance Center Project	1,158,995,000	22,475,867	-	-	1,181,470,867
İstanbul Caddebostan Building Project	24,303,775	-	-	-	24,303,775
Total investment properties					
under development	1,183,298,775	22,475,867	-	-	1,205,774,642
Total	2,288,772,410	22,475,867	-	-	2,311,248,277

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

(Amounts expressed in Turkish Lira (TL))

8. INVESTMENT PROPERTIES (cont'd)

Investment Properties	Acquisition Date	Acquisition Amount	Appraisal Method	Appraisal Date	Appraisal Value	Lessees	Rent Income (2020 First Three Months) (TL)	Operating Expenses (2020 First Three Months) (TL)	Rent Income (2019 First Three Months) (TL)	Operating Expenses (2019 First Three Months) (TL)
İstanbul Salıpaazarı Land	26 January 2018	5,178,343	Comparable Sales Approach	16 December 2019	8,200,000	-	-	-	-	-
Erzurum Yakutiye Land 9	30 September 2019	10,047,000	Comparable Sales Approach	24 December 2019	9,850,000	-	-	-	-	-
Erzurum Palandöken Lands 8	5 September 2019	14,637,000	Comparable Sales Approach	24 December 2019	14,350,000	-	-	-	-	-
Total lands		29,862,343			32,400,000					
Ankara Bahçelievler Building 1	28 October 2010	6,681,356	Comparable Sales Approach	16 December 2019	11,550,000	Halk Bankası A.Ş.	243,062	573	231,212	408
Ankara Bahçelievler Building 2	28 October 2010	5,684,746	Comparable Sales Approach	16 December 2019	8,250,000	İpekyol Giyim Sanayi Pazarlama ve Ticaret A.Ş.	129,000	323	-	253
Ankara Başkent Building	28 October 2010	9,541,729	Comparable Sales Approach	25 December 2019	14,000,000	Ceda Akaryakıt İnş. Emlak Tur. Ltd Şti, Halkbank A.Ş.	378,591	1,948	345,871	1,240
Ankara Kızılay Building	28 October 2010	12,475,237	Comparable Sales Approach	26 December 2019	22,400,000	Halk Bankası A.Ş.	462,559	2,559	440,008	1,658
Ataşehir Finans Plaza	12 January 2012	126,548,795	Comparable Sales Approach	20 December 2019	313,200,000	Halk Bankası A.Ş.	4,245,000	65,430	4,050,000	46,959
Bursa Building	28 October 2010	8,500,000	Comparable Sales Approach	16 December 2019	17,250,000	Halk Bankası A.Ş.	322,046	2,711	306,345	1,232
Eskişehir B12 Apartment	24 January 2012	680,634	Comparable Sales Approach	31 December 2019	-	Real Person	3,931	56	8,250	-
Eskişehir B13 Apartment	24 January 2012	607,604	Comparable Sales Approach	31 December 2019	-	Real Person	4,022	60	8,265	-
İstanbul Ataköy Building	28 October 2010	5,061,500	Comparable Sales Approach	18 December 2019	14,750,000	Halk Bankası A.Ş.	269,462	1,186	256,326	941
İstanbul Bakırköy Building	28 October 2010	9,023,500	Comparable Sales Approach	23 December 2019	27,750,000	Halk Bankası A.Ş.	480,014	1,578	456,613	1,101
İstanbul Beşiktaş Building	27 October 2010	11,893,840	Comparable Sales Approach	18 December 2019	22,750,000	Halk Bankası A.Ş.	436,376	2,333	415,102	644
İstanbul Beyoğlu Building	28 October 2010	12,000,000	Comparable Sales Approach	19 December 2019	33,350,000	Halk Bankası A.Ş.	189,357	1,346	356,158	1,267
İstanbul Etiler Building	27 October 2010	11,000,000	Comparable Sales Approach	23 December 2019	23,700,000	Halk Bankası A.Ş.	340,373	11,093	323,780	559
İstanbul Fatih Building	28 October 2010	6,380,000	Comparable Sales Approach	19 December 2019	14,975,000	Halk Bankası A.Ş.	218,188	1,113	207,551	1,856
İstanbul Karaköy Building ¹³	2 November 2010	23,500,000	Comparable Sales Approach	18 December 2019	40,000,000	-	-	1,513	-	3,040
İstanbul Nişantaşı Building	2 November 2010	5,000,000	Comparable Sales Approach	20 December 2019	11,500,000	Halk Bankası A.Ş.	183,278	372	174,343	269
İstanbul Salıpaazarı Building	28 October 2010	38,050,960	Cost Method	30 December 2019	85,000,000	Sapaz Otelcilik Turizm İnşaat Sanayi ve Ticaret A.Ş.	1,632,825	16,905	1,441,577	14,056
İstanbul Şişli Building	2 November 2010	11,000,000	Comparable Sales Approach	18 December 2019	20,000,000	Halk Bankası A.Ş.	336,010	1,686	319,629	1,195
İzmir Konak Building-1	2 November 2010	13,400,000	Comparable Sales Approach	19 December 2019	33,900,000	Halk Bankası A.Ş.	458,195	1,590	435,857	1,469
İzmir Konak Building-2	2 November 2010	10,290,000	Comparable Sales Approach	25 December 2019	18,250,000	Halk Bankası A.Ş. , Halk Hayat ve Emeklilik A.Ş.	312,015	9,871	295,336	9,997
Kocaeli Building	28 October 2010	6,519,193	Comparable Sales Approach	25 December 2019	14,500,000	Halk Bankası A.Ş.	305,464	1,272	290,572	904
Kocaeli Şekerpınar A Block	11 September 2012	67,860,443	Cost Method	26 December 2019	138,500,000	Halk Bankası A.Ş.	1,997,608	67,217	1,737,050	66,249
Kocaeli Şekerpınar B Block2	11 September 2012	39,830,221	Current Construction Level	26 December 2019	94,920,000	-	-	108,072	-	94,264
Levent Hotel Project	3 November 2010	91,186,481	Cost Method	27 December 2019	275,000,000	Dedeman Turizm Yönetimi A.Ş.	5,391,559	41,130	5,134,366	33,841
Sakarya Adapazarı Building ¹⁴	28 October 2010	5,960,000	Comparable Sales Approach	26 December 2019	9,500,000	-	-	1,274	-	1,249
Bizimtepe Aydos T 1-2-3 No. BB Nusery3	10 April 2019	1,462,550	Comparable Sales Approach	31 December 2019	2,358,000	Yakın Ufuklar Eğitim Kurumları A.Ş.	43,500	4,626	-	-
Bizimtepe Aydos T 17-18-19-20-21-22 No. BB Market4	16 April 2019	799,931	Comparable Sales Approach	31 December 2019	1,666,500	Mopaş Marketçilik Gıda San. ve Tic. A.Ş.	28,036	1,861	-	-
Bizimtepe Aydos T 13 No. BB Hairdresser5	10 June 2019	103,601	Comparable Sales Approach	31 December 2019	209,500	Real Person	2,700	296	-	-
Bizimtepe Aydos T 16 No. BB Seller of Dried Nuts and Fruits6	23 Mayıs 2019	106,997	Comparable Sales Approach	31 December 2019	276,000	Real Person	3,150	386	-	-
Bizimtepe Aydos T 26 No. BB Real Estate Agency7	19 September 2019	135,420	Comparable Sales Approach	31 December 2019	325,500	Akatlı Grup Gayrimenkul İnş San ve Dış Tic Ltd Şti	-	362	-	-
Bizimtepe Aydos T 25 No. BB Pharmacy ¹⁰	1 October 2019	134,490	Comparable Sales Approach	31 December 2019	323,000	Real Person	4,200	362	-	-
Bizimtepe Aydos T 23-24 No. BB Real Estate Agency ¹¹	24 October 2019	323,378	Comparable Sales Approach	31 December 2019	1,046,500	Akatlı Grup Gayrimenkul İnş San ve Dış Tic Ltd Şti	12,750	1,043	-	-
Bizimtepe Aydos T 39-40-41-42-43-44 No. BB Gift Shop 12	22 November 2019	288,565	Comparable Sales Approach	31 December 2019	605,000	Real Person	5,442	1,015	-	-
Bizimtepe Aydos T 27-28 No. BB Real Estate Agency	27 March 2020	92,250	Comparable Sales Approach	31 December 2019	193,500	Akatlı Grup Gayrimenkul İnş San ve Dış Tic Ltd Şti	-	2	-	-
Total buildings		542,031,171			1,271,998,500		18,438,713	353,163	17,234,211	284,291
İstanbul Caddebostan Building Urban Transformation Project	3 November 2010	6,300,000	Comparable Sales Approach	31 December 2019	1,383,250,000	-	-	-	-	-
İstanbul Finance Center Project	28 October 2010	229,846,920	Cost Method	27 December 2019	27,100,000	-	-	-	-	-
Total investment properties under development		236,146,920			1,410,350,000					
Total		808,040,434			2,714,748,500		18,438,713	353,163	17,234,211	284,291

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

(Amounts expressed in Turkish Lira (TL))

8. INVESTMENT PROPERTIES (cont'd)

- 1- Ankara Bahçelievler Building 2 lease contract has expired as of 24 May 2017; the building has been leased to İpekyol Giyim San. Paz. ve Tic. A.Ş. as of 1 April 2019.
- 2- Marketing activities for Kocaeli Şekerpınar Blok B are still ongoing.
- 3- Bizimtepe Aydos T Blok Independent Sections Numbered 01,02,03 (Nursery) were leased to Yakın Ufuklar Eğitim Kurumları A.Ş. on 10 April 2019.
- 4- Bizimtepe Aydos Trade Block Independent Sections Numbered 17,18,19,20,21,22 (Market) were leased to Mopaş Marketçilik Gıda San ve Tic A.Ş. on 16 April 2019.
- 5- Bizimtepe Aydos Trade Block Independent Section Numbered 13 (Coiffeur) was leased to a real person on 23 May 2019.
- 6- Bizimtepe Aydos Trade Block Independent Section Numbered 16 (Dried fruits and nuts store) was leased to natural person on 10 June 2019.
- 7- Bizimtepe Aydos Trade Block Independent Section Numbered 26 (Real estate agency) was leased to Akatlı Grup Gayrimenkul İnş.San. ve Dış Tic.Ltd. Şti. on 19 September 2019.
- 8- Erzurum Palandöken Land was transferred from Er Konut İnş.Taah. İnşaat Mlz. Nakliye ve Mad. Tic.San. A.Ş. to Halk GYO A.Ş. on 05 September 2019.
- 9- Erzurum Yakutiye Land was transferred from Er Konut İnş.Taah. İnşaat Mlz. Nakliye ve Mad. Tic.San. A.Ş. to Halk GYO A.Ş. on 30 September 2019.
- 10- Bizimtepe Aydos Trade Block Independent Section Numbered 25 (Pharmacy) was leased to a real person on 1 October 2019.
- 11- Bizimtepe Aydos Trade Block Independent Sections Numbered 23,24 (Real estate agency) were leased to Akatlı Grup Gayrimenkul İnş. San. ve Dış Tic. Ltd. Şti. on 1 October 2019.
- 12- Bizimtepe Aydos Trade Block Independent Sections Numbered 39,40,41,42,43,44 (Souvenir shop) were leased to a real person on 22 November 2019.
- 13 - İstanbul Karaköy Building lease contract was expired on 23 October 2017.
- 14 - Sakarya Adapazarı Building lease contract was expired on 31 October 2018.
- 15 - Bizimtepe Aydos Ticaret Blok Ticaret Blok No. 27.28 Independent Sections (Realtor) was rented to Akatlı Group on 27 March 2020.

Operating leases

The Company as lessor

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

	31 March 2020	31 December 2019
<u>Operating leases</u>		
Less than one year	67,893,372	58,923,363
Between one and five years	178,219,863	176,148,370
More than five years	152,889,521	164,322,235
	<u>399,002,756</u>	<u>399,393,968</u>

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE REVIEWED FINANCIAL STATEMENTS
AS OF 31 MARCH 2020**

(Amounts expressed in Turkish Lira (TL))

9. PROPERTY, PLANT AND EQUIPMENT

Cost Value	Furniture and fixture	Leashold improvements	Right-of-use assets (*)	Total
Opening balance as at 1 January 2020	2,010,704	3,678,796	2,017,401	7,706,901
Additions	86,705	1,161,305	318,370	1,566,380
Transfers	-	-	-	-
Disposals	-	-	-	-
Closing balance as at 31 March 2020	<u>2,097,409</u>	<u>4,840,101</u>	<u>2,335,771</u>	<u>9,273,281</u>
Accumulated Depreciation				
Opening balance as at 1 January 2020	(1,287,994)	(1,330,123)	(664,185)	(3,282,302)
Charge for the period	(56,761)	(394,146)	(289,598)	(740,505)
Disposals	-	-	-	-
Closing balance as at 31 March 2020	<u>(1,344,755)</u>	<u>(1,724,269)</u>	<u>(953,783)</u>	<u>(4,022,807)</u>
Carrying value as at 31 March 2020	<u>752,654</u>	<u>3,115,832</u>	<u>1,381,988</u>	<u>5,250,474</u>
Cost Value				
	Furniture and fixture	Leashold improvements	Right-of-use assets (*)	Total
Opening balance as at 1 January 2019	1.855.540	670.527	-	2.526.067
Additions	-	1.302.134	1.662.513	2.964.647
Transfers	-	784.777	-	784.777
Disposals	(1.398)	-	-	(1.398)
Closing balance as at 31 March 2019	<u>1.854.142</u>	<u>2.757.438</u>	<u>1.662.513</u>	<u>6.274.093</u>
Accumulated Depreciation				
Opening balance as at 1 January 2019	(1.062.715)	(663.032)	-	(1.725.747)
Charge for the period	(61.817)	(460)	(154.709)	(216.986)
Disposals	1.398	-	-	1.398
Closing balance as at 31 March 2019	<u>(1.123.134)</u>	<u>(663.492)</u>	<u>(154.709)</u>	<u>(1.941.335)</u>
Carrying value as at 31 March 2019	<u>731.008</u>	<u>2.093.946</u>	<u>1.507.804</u>	<u>4.332.758</u>

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

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

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

Depreciation expenses of TL 466,939 have been charged in marketing expenses and TL 273,566 (31 March 2019: TL 216,986) have been charged in general administrative expenses.

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

10. INTANGIBLE ASSETS

	Other Intangible Assets
Cost Value	
Opening balance as at 1 January 2020	1,023,732
Additions	-
Closing balance as at 31 March 2020	<u>1,023,732</u>
Accumulated Amortization	
Opening balance as at 1 January 2020	(717,773)
Charge for the period	(11,088)
Closing balance as at 31 March 2020	<u>(728,861)</u>
Carrying value as at 31 March 2020	<u>294,871</u>
	Other Intangible Assets
Cost Value	
Opening balance as at 1 January 2019	1,019,849
Additions	-
Closing balance as at 31 March 2019	<u>1,019,849</u>
Accumulated Amortization	
Opening balance as at 1 January 2019	(673,536)
Charge for the period	(7,097)
Closing balance as at 31 March 2019	<u>(680,633)</u>
Carrying value as at 31 March 2019	<u>339,216</u>

Amortization expenses of TL 11,088 (31 March 2019: TL 7,097) have been charged in general administrative expenses.

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

	Useful Life
Other intangible assets	<u>3 years</u>

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

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

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

	31 March 2020	31 December 2019
Other short-term provisions		
Lawsuit provision	-	2,036
Other expense provisions	-	-
	<u>-</u>	<u>2,036</u>
		Provision for legal claims
Balance as of 1 January 2020		2,036
Provision reversed		<u>(2,036)</u>
Balance as of 31 March 2020		<u>-</u>
		Provision for legal claims
Balance as of 1 January 2019		205,335
Additional provisions recognized		<u>4,148</u>
Balance as of 31 March 2019		<u>209,483</u>

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 Company has ongoing 1 tax case on behalf of its own legal entity that is opened by the company and it also has 14 lawsuits against the company comprised of 6 consumer cases, 2 cases in enforcement court, 1 negative declaratory action, 2 civil lawsuits, 1 case in civil court of first instance, 1 annulment case in administrative court and 1 compensation case arising from business law. The Company management does not foresee any cash outflow related to these lawsuits. Therefore, a provision for legal cases was not made in the accompanying financial statements.

There are 7 cases concluded in favor of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. 3 of these cases are tax, 3 of them are consumer cases and 1 of them is case in enforcement court.

There are 7 lawsuits concluded against the Company. 1 of them is administrative, 1 of which is tax case and 5 of them are consumer cases.

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

		31 March 2020	31 December 2019
A. CPMs Given for Company's Own Legal Personality		243,174,632	243,141,245
	-Collateral	93,174,632	93,141,245
	-Pledge	-	-
	-Mortgage	150,000,000	150,000,000
B. CPMs Given on Behalf of Fully Consolidated Companies		-	-
	-Collateral	-	-
	-Pledge	-	-
	-Mortgage	-	-
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties		122,995,237	123,314,837
	-Collateral	122,995,237	123,314,837
	-Pledge	-	-
	-Mortgage	-	-
D. Total Amount of Other CPMs		-	-
i. Total Amount of CPMs Given on Behalf of the Parent		-	-
	-Collateral	-	-
	-Pledge	-	-
	-Mortgage	-	-
ii. Total Amount of CPMs Given to on Behalf of Other Group Companies which are not in Scope of B and C		-	-
	-Collateral	-	-
	-Pledge	-	-
	-Mortgage	-	-
iii. Total Amount of CPMs Given on behalf of Third Parties which are not in Scope of C		-	-
	-Collateral	-	-
	-Pledge	-	-
	-Mortgage	-	-
Total		366,169,869	366,456,082

A. CPMs Given for Company's Own Legal Personality	Project	CPM Type	31 March 2020	31 December 2019
Halk Bankası A.Ş.	Halkbank Finance Tower	Mortgage	150,000,000	150,000,000
İller Bankası A.Ş.	İstanbul Finance Center	Letter of guarantee	92,161,474	92,161,474
Real persons	Referans Bakırköy	Letter of guarantor conveyance	-	-
2,5 ve 8 No'lu Eskişehir İcra Müdürlükleri	Eskişehir Project	Letter of guarantee	97,143	124,108
T.C. İstanbul Büyükşehir Belediyesi	Dedeman Hotel	Letter of guarantee	683,010	622,658
CNV Yapı Mimarlık San. Tic. A.Ş.	Caddebostan Project	Guarantee note	219,565	219,565
Sakarya Elektrik Perakende Satış A.Ş.	Kocaeli Project	Letter of guarantee	13,440	13,440
			243,174,632	243,141,245

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

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

31 March 2020						
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties	Letter of Guarantee	Letter of Conveyance	Limit of Guarantee	The Company's Share 50%	Sales under Guarantee	The Company's Share 50%
Halk GYO-Vakıf GYO Joint Operation (*)	45,918,370	-	650,000,000	325,000,000	20,155,583	33,036,977
Halk GYO-Er Konut Joint Operation (**)	-	-	85,000,000	42,500,000	4,304,520	2,152,260
Teknik Yapı-Halk GYO Joint Operation (***)	50,112,000	125,500,000	-	-	-	87,806,000
Total	96,030,370	125,500,000	735,000,000	367,500,000	24,460,103	122,995,237

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

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

(***) In accordance to Teknik Yapı-Halk GYO Joint Operation İzmir Project, the joint operation has given guarantee letters for İzmir Konak Stage 1 Land Sale of Revenue Sharing amounting to TL 50,112,000 and the letter of conveyance to T.Halk Bankası A.Ş amounting to TL 125,500,000 as at 31 March 2020.

31 December 2019						
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 Operation	45,918,370	-	650,000,000	325,000,000	20,491,733	33,205,052
Halk GYO-Er Konut Joint Operation	-	-	85,000,000	42,500,000	4,607,571	2,303,786
Teknik Yapı-Halk GYO Joint Operation	50,112,000	125,500,000	-	-	-	87,806,000
Total	96,030,370	125,500,000	735,000,000	367,500,000	25,099,304	123,314,838

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

	31 March 2020	Equity Rate	31 December 2019	Equity Rate
A. CPMs Given for Company's Own Legal Personality	243,174,632	9.36%	243,141,245	9.43%
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties				
<i>Halk GYO-Vakıf GYO Joint Operation (*)</i>	<i>33,036,977</i>	<i>1.27%</i>	<i>33,205,052</i>	<i>1.29%</i>
<i>Halk GYO-Er Konut Joint Operation (**)</i>	<i>2,152,260</i>	<i>0.08%</i>	<i>2,303,786</i>	<i>0.09%</i>
<i>Teknik Yapı-Halk GYO Joint Operation (***)</i>	<i>87,806,000</i>	<i>3.38%</i>	<i>87,806,000</i>	<i>3.41%</i>

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

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

Collateral, Pledge and Mortgage Received	Project	CPM Type	31 March 2020	31 December 2019
YDA İnşaat San. Ve Tic. A.Ş.	İstanbul Finance Center	Letter of guarantee	143,338,159	144,617,238
Buga Otis Asansör San.ve Tic.A.Ş.	İstanbul Finance Center	Letter of guarantee	50,649,300	46,687,212
Dedeman Turizm Yönetimi A.Ş.	Levent Hotel (lessee)	Letter of guarantee	23,003,985	23,003,985
Sapaz Otelcilik Turizm İnşaat Sanayi Ve Ticaret A.Ş.	İstanbul Salıpaazarı (lessee)	Letter of guarantee	10,233,361	9,500,000
Haldız İnşaat Otomotiv ve Tic. Ltd. Şti.	Bizimtepe Aydos	Letter of guarantee	9,500,000	9,477,466
Er Konut İnş. Taah. İnşaat Malz. Nak. ve Mad. Tic. A.Ş.	Erzurum Şehristan	Letter of guarantee	3,150,000	3,150,000
UCD Yapı A.Ş.	İzmir Evora	Guarantee note	1,830,490	1,830,490
Entegre Proje Yönetim Dan.Müh.Tic. A.Ş.	İstanbul Finance Center	Letter of guarantee	1,326,617	720,000
Teknik Yapı Proje A.Ş.	İzmir Evora	Guarantee note	720,000	1,326,617
Abad Gayrimenkul A.Ş.	İzmir Evora	Guarantee note	701,500	701,500
CNV Yapı Mimarlık San. Tic. Ltd. Şti.	Caddebostan Project	Letter of guarantee	379,775	379,775
İpekyol Giyim Sanayi Pazarlama ve Ticaret A.Ş.	Ankara Bahçelievler (lessee)	Letter of guarantee	304,440	300,000
Biskon Yapı A.Ş.	Referans Bakırköy	Letter of guarantee	300,000	240,300
Ceda Akaryakıt İnşaat Emlak Tur. Tic. Ltd. Şti.	Ankara Başkent (lessee)	Letter of guarantee	200,000	200,000
YPU Yapı Proje Uygulama Ltd. Şti.	İstanbul Finance Center	Letter of guarantee	-	30,975
Direk Reklam İnş. San. Tic. A.Ş.	Sancaktepe Project	Letter of guarantee	-	344,895
Other			376,140	304,440
			<u>246,013,767</u>	<u>242,814,893</u>

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12. EMPLOYEE BENEFITS

Short-term provisions for employee benefits

	31 March 2020	31 December 2019
Employee bonus accruals	1,115,474	892,244
Unused vacation accruals	682,245	700,645
	<u>1,797,719</u>	<u>1,592,889</u>

Long-term provisions for employee benefits

	31 March 2020	31 December 2019
Retirement pay provision	762,809	740,620
	<u>762,809</u>	<u>740,620</u>

Provision for retirement pay liability:

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

	1 January- 31 March 2020	1 January- 31 March 2019
Provision as of 1 January	740,620	529,935
Service cost	38,495	47,597
Interest cost	7,766	5,017
Retirement pay paid	(24,072)	-
Actuarial loss / gain	-	-
Provision as of 31 December	<u>762,809</u>	<u>529,935</u>

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

The amount payable consists of one month's salary limited to a maximum of TL 6,730.15 for each period of service at 31 March 2020 (31 December 2019: TL: 6,739.86).

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

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12. EMPLOYEE BENEFITS (cont'd)**Provision for retirement pay liability (cont'd):**

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 4.21% real discount rate (31 December 2019: 4.21%) calculated by using 7% annual inflation rate and 11.50% interest rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 4.45% for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling amount of TL 6,730.15 which is in effect since 1 April 2020 is used in the calculation of Company's provision for retirement pay liability (1 January 2019: TL 6,730.15).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate. If the discount rate would have been 1% higher/(lower), provision for employee termination benefits would decrease/(increase) by TL 87,553 / TL (105,227). If the anticipated turnover rate would have been 1% lower/(higher) while all other variables were held constant, provision for employee termination benefits would decrease/(increase) by TL 5,549 / TL (5,782).

13. OTHER ASSETS AND LIABILITIES

	31 March	31 December
<u>Other Current Assets</u>	<u>2020</u>	<u>2019</u>
Value added tax ("VAT") carried forward (*)	28,611,695	26,337,910
Deposits and guarantees given	256,714	233,779
Business advances given	14,592	13,198
Other	840,744	842,402
	<u>29,723,745</u>	<u>27,427,289</u>
	31 March	31 December
<u>Other Non-Current Assets</u>	<u>2020</u>	<u>2019</u>
Value added tax ("VAT") carried forward (**)	27,479,625	25,120,626
	<u>27,479,625</u>	<u>25,120,626</u>

(**) As of 31 March 2020, the VAT balance of Halk GYO amounting to TL 27,479,625 is recognized under other non-current assets since collection is expected in long-term (31 December 2019: TL 25,120,626).

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13. OTHER ASSETS AND LIABILITIES (cont'd)

	31 March 2020	31 December 2019
<u>Other Current Liabilities</u>		
Deposits and guarantees received(*)	8,725,987	7,922,896
Taxes and funds payable	1,128,371	464,690
Other miscellaneous payables and liabilities	485,822	480,454
	<u>10,340,180</u>	<u>8,868,040</u>

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

14. SHARE CAPITAL, RESERVES VE OTHER EQUITY ITEMS**a) Share Capital**

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

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

(*) Halkbank also has 68,341,356 B group shares with 7.36% in the publicly traded held group (31 December 2019: 68,341,356 shares).

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

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

The Company has been established 1,500,000,000 shares with registered capital ceiling of TL 1,500,000,000 each with par value of TL 1. The Company’s issued capital is 928,000,000 shares amounting to TL 928,000,000. All capital has been committed by the founders; TL 196,217,979 paid in cash, TL 265,500,000 incorporated into capital from reserves and TL 466,282,021 paid in kind (real estates). TL 466,282,021 of the share capital has been paid in kind by main shareholder Halkbank.

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14. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)**a) Share Capital (cont'd)**

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

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

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

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

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

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

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

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 26,162,328 treasury shares as of 31 March 2020 (31 December 2019: 26,162,328 shares). The details of the treasury shares acquired for the year ended 31 March 2020 are as follows:

<u>Transaction</u>	<u>Transaction date</u>	<u>Nominal value</u>	<u>Weighted average share price</u>	<u>Transaction amount</u>
Repurchased shares	26 February 2013	933,649	1.34	1,251,090
Repurchased shares	27 February 2013	736,571	1.34	987,004
Repurchased shares	28 February 2013	1,000,000	1.34	1,340,000
Repurchased shares	1 March 2013	2,297,269	1.32	3,021,922
Repurchased shares	5 March 2013	3,455,130	1.33	4,608,678
Repurchased shares	11 March 2013	457,867	1.32	604,384
Repurchased shares	12 March 2013	586,245	1.32	773,843
Repurchased shares	15 March 2013	2,000,000	1.32	2,640,000
Repurchased shares	21 March 2013	7,210,586	1.33	9,582,612
Bonus shares from incorporating reserves	20 June 2013	314,024	-	-
Bonus shares from incorporating reserves	5 June 2014	683,977	-	-
Bonus shares from incorporating reserves	11 June 2015	1,271,466	-	-
Bonus shares from incorporating reserves	25 May 2016	1,325,030	-	-
Bonus shares from incorporating reserves	17 August 2017	845,764	-	-
Bonus shares from incorporating reserves	8 June 2018	1,071,301	-	-
Bonus shares from incorporating reserves	17 June 2019	1,973,449	-	-
Total repurchased shares		<u>26,162,328</u>		<u>24,809,533</u>

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

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

d) Restricted reserves appropriated from profit

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

15. REVENUE AND COST OF SALES

	1 January- 31 March 2020	1 January- 31 March 2019
a) Sales		
Total income on properties	49,411,253	20,675,287
<i>Income from sale of residence (*)</i>	30,972,540	3,441,076
<i>Rental income</i>	18,438,713	17,234,211
Total income on debt instruments	652,091	592,014
<i>Interest income on deposits</i>	652,091	592,014
	<u>50,063,344</u>	<u>21,267,301</u>

(*)The Company recognized net sales amounting to TL 30,972,540 for the year ended 31 March 2020 after the committed property was transferred to the customer and the performance obligation guaranteed in the contract is fulfilled when customers had the control of the properties.

	1 January- 31 March 2020	1 January- 31 March 2019
b) Cost of sales		
Cost of sales of residence	23,677,934	2,519,443
Other	353,163	298,726
	<u>24,031,097</u>	<u>2,818,169</u>

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16. EXPENSES BY NATURE

	1 January- 31 March 2020	1 January- 31 March 2019
Cost of residence sales	23,677,934	2,519,443
Personnel expenses	2,924,889	2,466,249
Building common expenses	326,660	587,318
Depreciation and amortization expenses	751,593	224,083
Advertisement expenses	172,878	426,059
Taxes and duties	285,018	394,258
Outsource servise expenses	223,737	198,501
Maintanance and repair expenses	98,479	81,740
Travel and car expenses	37,099	99,491
Consulting expenses	79,436	70,242
Rent expenses	3,302	5,485
Stationery and IT related expenses	38,018	37,473
Commission expenses	712,262	57,137
Other	470,094	533,044
	<u>29,801,399</u>	<u>7,700,523</u>

17. ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES

	1 January- 31 March 2020	1 January- 31 March 2019
General administrative expenses (-)	3,892,875	3,370,046
Marketing and sales expenses (-)	1,877,427	1,512,308
	<u>5,770,302</u>	<u>4,882,354</u>

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

	1 January- 31 March 2020	1 January- 31 March 2019
Personnel expenses	2,843,458	2,400,705
Depreciation and amortization charges	284,654	224,083
Outsource service expenses	223,737	198,501
Taxes and duties	177,122	214,602
Advertisement expenses	74,359	36,331
Maintenance and repair expenses	98,479	81,740
Travel and car expenses	37,099	99,491
Consulting expenses	79,436	70,242
Stationery and IT related expenses	38,018	37,473
Rent expenses	3,302	5,485
Other	33,211	1,393
	<u>3,892,875</u>	<u>3,370,046</u>

b) Detail of Marketing Expenses

	1 January- 31 March 2020	1 January- 31 March 2019
Common building expenses	326,660	587,318
Advertisement expenses	98,519	389,728
Depreciation and amortization charges	466,939	-
Taxes and duties	107,896	179,656
Commission expenses (*)	712,262	57,137
Other	83,720	232,925
Personnel expenses	81,431	65,544
	<u>1,877,427</u>	<u>1,512,308</u>

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

	1 January- 31 March 2020	1 January- 31 March 2019
Wages and salaries	2,173,666	1,752,840
Social Security Institution employer's shares	332,730	245,577
Insurance expenses	155,591	107,138
Board of directors' remunerations	144,429	121,373
Provision expenses for retirement pay and unused vacation	101,471	120,131
Other	17,002	119,190
	<u>2,924,889</u>	<u>2,466,249</u>

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18. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities:

	1 January- 31 March 2020	1 January- 31 March 2019
Income on indemnified guarantees and penalties	-	359,987
Foreign exchange gains from operations	518,669	737,066
Incentive and discount refunds from public institutions	-	135,666
Other income	97,932	12,724
	<u>616,601</u>	<u>1,245,443</u>

Other expenses from operating activities:

	1 January- 31 March 2020	1 January- 31 March 2019
Foreign exchange gains from operations	(493,400)	(25,580)
Other income	(291,240)	(73,779)
	<u>(784,640)</u>	<u>(99,359)</u>

19. FINANCE EXPENSE

	1 January- 31 March 2020	1 January- 31 March 2019
Interest expenses from bank loans	1,551,375	2,321,450
Commission expenses	152,858	296,384
Expenses on finance leases	1,760,113	2,370,467
Short-term commercial paper interest expenses	-	-
Short-term lease certificate interest expenses	9,238,801	12,420,649
Expenses on operating leases	57,926	-
	<u>12,761,073</u>	<u>17,408,950</u>
Amounts included in the investment properties	(11,042,474)	(14,845,507)
Finance Expense	<u>1,718,599</u>	<u>2,563,443</u>

20. INCOME TAXES

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

21. EARNINGS PER SHARE

	1 January- 31 March 2020	1 January- 31 March 2019
Earning per share		
The average number of shares during the year (full value)	928,000,000	928,000,000
Net profit of the shareholders	18,476,557	12,149,419
Earnings per share from continuing or discontinued operations	0.0199	0.0131

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22. FINANCIAL INSTRUMENTS**Financial Liabilities**

	31 March 2020	31 March 2019
Financial Borrowings		
a) Borrowing Instruments	343,018,836	367,171,740
b) Bank Loans	45,176,615	43,068,298
c) Financial Lease Payables (*)	19,441,460	21,549,682
d) Operating Lease Payables	1,416,909	1,617,415
	<u>409,053,820</u>	<u>433,407,135</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.

	31 March 2020	31 March 2019
Borrowing Instruments		
Short-term lease certificates	343,018,836	367,171,740
	<u>343,018,836</u>	<u>367,171,740</u>

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

<u>Issue date</u>	<u>Maturity date</u>	<u>Rate of return</u>	<u>Nominal value</u>	<u>Amortization date</u>	<u>Amortization amount</u>
19 December 2017	16 March 2018	13.25%	100,000,000	16 March 2018	103,158,384
16 March 2018	20 June 2018	13.40%	100,000,000	20 June 2018	103,528,384
23 March 2018	20 June 2018	13.40%	25,000,000	20 June 2018	25,816,849
20 June 2018	19 September 2018	17.00%	125,000,000	19 September 2018	130,297,945
19 September 2018	19 December 2018	27.00%	125,000,000	19 Aralık 2018	133,430,181
12 October 2018	22 January 2019	27.50%	75,000,000	22 January 2019	80,763,699
19 December 2018	16 April 2019	23.60%	170,000,000	16 April 2019	182,970,150
22 January 2019	21 May 2019	22.50%	80,000,000	21 May 2019	85,868,480
16 April 2019	20 August 2019	22.75%	180,000,000	20 August 2019	194,136,120
21 May 2019	17 September 2019	23.50%	75,000,000	17 September 2019	80,746,200
20 August 2019	17 December 2019	17.50%	205,000,000	17 December 2019	216,696,070
17 September 2019	7 January 2020	14.90%	75,000,000	7 January 2020	78,429,000
9 October 2019	10 March 2020	14.00%	100,000,000	10 March 2020	105,868,400
17 December 2019	12 May 2020	10.90%	185,000,000	12 May 2020	193,121,130
7 January 2020	2 June 2020	10.40%	75,000,000	2 June 2020	-
10 March 2020	18 August 2020	9.80%	75,000,000	18 August 2020	-

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

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

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

	31 March 2020	31 March 2019
Bank Loans		
Short-term bank loans	30,395,140	38,612,972
Short-term portion of long term bank loans	3,396,424	3,396,659
Lon-term bank loans	11,385,051	1,058,667
	<u>45,176,615</u>	<u>43,068,298</u>

Interest rates of financial liabilities are as follows:

Financial Instrument	Currency	Nominal interest rate	31 March 2020	
			Short-term	Long-term
Lease certificate	TL	10.55%	343,018,836	-
Floating rate loans	TL	12.66%	26,556,662	-
Fixed rate loan	TL	11.12%	7,234,902	11,385,051
Financial lease agreement	EUR	5.10%	15,503,722	3,937,738
Operating lease agreement	TL	23.50%	723,798	480,848
Operating lease agreement	EUR	5.10%	159,509	52,754
			<u>393,197,429</u>	<u>15,856,391</u>

Financial Instrument	Currency	Nominal interest rate	31 December 2019	
			Short-term	Long-term
Lease certificate	TL	12.62%	367.171.740	-
Floating rate loans	TL	15.07%	38.612.972	-
Fixed rate loans	TL	8,00%	3.396.659	1.058.667
Financial lease agreement	EUR	5,10%	15.719.844	5.829.838
Operational lease agreement	TL	23,50%	418.721	966.379
Operational lease agreement	EUR	5,10%	66.752	165.563
			<u>425.386.688</u>	<u>8.020.447</u>

Maturities of bank borrowings are as follows:

	31 March 2020	31 March 2019
Less than 1 year	393,197,429	425,386,688
Between 1-2 years	8,226,474	5,937,754
Between 2-3 years	7,629,917	2,082,693
	<u>409,053,820</u>	<u>433,407,135</u>

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Company 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 Company's board of directors reviews the capital structure of the Company 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 Company 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 Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

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

	31 March 2020	31 December 2019
Financial Liabilities	409,053,820	433,407,135
Less: Cash and Cash Equivalents	(50,398,484)	(74,285,277)
Net Debt	358,655,336	359,121,858
Total Shareholders Equity	2,596,696,239	2,578,219,682
Total Share Capital	928,000,000	928,000,000
Gearing Ratio	39%	39%

b) Financial Risk Factors

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

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

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

b.1) Credit risk management

Details of credit risk by class of financial instruments

	Receivables				Deposits at Banks
	Trade Receivables		Other Receivables		
31 March 2020	Related Parties	Other	Related Parties	Other	
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	60	14,932,403	-	-	50,398,484
- Secured portion of the maximum credit risk by guarantees (**)	-	6,312,235	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	60	14,932,403	-	-	50,398,484
B. Net book value of financial assets that are past due but not impaired	-	-	-	-	-
C. Net book value of the impaired assets					
- Past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

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

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

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

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

Details of credit risk by class of financial instruments

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

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

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

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

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company aims to decrease credit risk by transacting only with parties who has credit assurance and where possible, obtaining sufficient guarantee. Credit risks which the Company 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 Company 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 Company's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

Liquidity risk table:

<u>Contractual terms</u>	<u>Carrying Value</u>	<u>Total contractual cash outflows (I+II+III)</u>	<u>Less than 3 months (I)</u>	<u>3 to 12 months (II)</u>	<u>1 to 5 years (III)</u>
Non-derivative financial liabilities					
Bank loans	45,176,615	49,425,205	27,451,632	6,894,126	15,079,447
Debt securities issued	343,018,836	349,504,455	271,262,430	78,242,025	-
Financial lease liabilities	19,441,460	20,182,837	4,202,035	11,441,605	4,539,197
Long-term liabilities from operating lease	1,416,909	2,014,018	1,366,554	647,464	-
Trade payables	24,002,027	24,002,027	24,002,027	-	-
Other liabilities	1,614,193	1,614,193	1,614,193	-	-
Total liabilities	434,670,040	446,742,735	329,898,871	97,225,220	19,618,644

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

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

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

b.3.1) Foreign currency risk management

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

	31 March 2020		
	TL Amount	US Dollar	Euro
1. Trade Receivables	-	-	-
2a. Monetary Financial Assets	1,029,545	158,003	-
2b. Non-monetary Financial Assets	-	-	-
3. Other	-	-	-
4. CURRENT ASSETS	1,029,545	158,003	-
5. Trade Receivables	9,885	-	1,370
6a. Monetary Financial Assets	-	-	-
6b. Non-monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	9,885	-	1,370
9. TOTAL ASSETS	1,039,430	158,003	1,370
10. Trade Payable	-	-	-
11. Financial Liabilities	15,300,304	-	2,120,624
12a. Monetary Other Liabilities	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-
13. CURRENT LIABILITIES	15,300,304	-	2,120,624
14. Trade Payable	-	-	-
15. Financial Liabilities	4,141,157	-	573,965
16a. Monetary Other Liabilities	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-
17. NON-CURRENT LIABILITIES	4,141,157	-	573,965
18. TOTAL LIABILITIES	19,441,461	-	2,694,589
19. Off-balance Sheet Derivative Instruments			
Net Asset/Liability Position (19a-19b)	-	-	-
19.a Derivative Financial Assets	-	-	-
19.b Derivative Financial Liabilities	-	-	-
20. Net Foreign Currency Assets/Liabilities Position	(18,402,031)	158,003	(2,693,219)
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-12a-14-15-16a)	(18,402,031)	158,003	(2,693,219)

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

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

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

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

b.3.2) Interest rate risk management

The Company 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 Company are as follows:

Interest Position Table

	<u>31 March 2020</u>	<u>31 December 2019</u>
Fixed Interest Rate Instruments		
Financial Liabilities	382,497,158	394,794,163
Variable Interest Rate Instruments		
Financial Liabilities	26,556,662	38,612,972

24. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)

31 March 2020	Loans and receivables (including cash and cash equivalents)	Financial liabilities at amortized cost	Carrying value	Note
<u>Financial assets</u>				
Cash and cash equivalents	50,398,484	-	50,398,484	26
Trade receivables	14,932,463	-	14,932,463	5
<u>Financial liabilities</u>				
Borrowings	-	409,053,820	409,053,820	22
Trade payables	-	23,620,726	23,620,726	5
Due to related parties	-	381,301	381,301	4
Other financial liabilities	-	1,614,193	1,614,193	13
31 December 2019				
<u>Financial assets</u>				
Cash and cash equivalents	74,285,277	-	74,285,277	26
Trade receivables	15,937,953	-	15,937,953	5
<u>Financial liabilities</u>				
Borrowings	-	433,407,135	433,407,135	22
Trade payables	-	2,899,627	2,899,627	5
Due to related parties	-	55,804	55,804	4
Other financial liabilities	-	945,144	945,144	13

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

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24. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES) (cont'd)Fair Value of Financial Instruments

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

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

25. EVENTS AFTER THE REPORTING PERIOD

None Noted.

26. NOTES ON STATEMENT OF CASH FLOWS

	31 March 2020	31 December 2019
Cash at banks	50,399,090	74,286,168
<i>Demand deposits(*)</i>	620,574	724,840
<i>Time deposits with maturity less than 3 months</i>	49,778,516	73,561,328
Expected credit loss (-)	(606)	(891)
<i>Cash and cash equivalents in the statement of financial position</i>	50,398,484	74,285,277
Less: Interest income accruals on cash equivalents	(250,268)	(84,178)
<i>Cash and cash equivalents in the statement of cash flows</i>	50,148,216	74,201,099

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

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

31 March 2020	Amount	Interest rate	Maturity
<u>Time deposits</u>			
TL	17,716,149	10.00%	10 June 2020
TL	31,843,702	10.00%	15 June 2020
TL	93,428	9.97%	1 April 2020
TL	779	2.00%	1 April 2020
TL	124,458	10.00%	1 April 2020
	49,778,516		

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

31 December 2019	Amount	Interest rate	Maturity
<u>Time deposits</u>			
TL	73,343,707	10.75%	5 February 2020
TL	128,113	10.24%	2 January 2020
TL	7,501	9.50%	2 January 2020
TL	82,007	10.49%	2 January 2020
	73,561,328		

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

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

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

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

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

At the hearing on 31 March 2020 held in the District Court; it has been decided to postpone the hearing to 9 June 2020 due to the global scale COVID-19 outbreak.

The Parent Bank closely monitors the prosecution process through specialized US law firms.

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

Effects of COVID-19

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

The assumptions used in determining the fair values of investment properties and therefore their values may possibly change due to the effects of COVID-19. Although, the impact of these possible effects on assumptions and ratings cannot be reliably measured as of the reporting date and they may require an adjustment in the fair value of investment properties in the subsequent periods.

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE REVIEWED FINANCIAL STATEMENTS
AS OF 31 MARCH 2020

(Amounts expressed in Turkish Lira (TL))

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

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

As of 31 March 2020, the Company complied with the restrictions that stated on the paragraph “a, b, c, ç and d” of 24th, 22nd and 38th articles of the CMB’s communique no III-48.1, “Communiqué on Principles Regarding Real Estate Investment Trusts”, published in the Official Gazette numbered 28660. The ratios related with these restrictions are shown below.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**NOTES TO THE REVIEWED FINANCIAL STATEMENTS
AS OF 31 MARCH 2020**

(Amounts expressed in Turkish Lira (TL))

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

	Financial statement primary account items	Regulations	31 March 2020 (TL)	31 December 2019 (TL)
A	Money and capital market instruments	Serial: III-48.1, Article 24/(b)	50,398,484	74,285,277
B	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article 24/(a)	2,813,864,831	2,783,856,463
C	Subsidiaries	Serial: III-48.1, Article 24/(b)	--	--
	Due from related parties (non-trade)	Serial: III-48.1, Article 23/(f)	--	--
	Other assets		190,429,188	181,067,390
D	Total Assets	Serial: III-48.1, Article 3/(k)	3,054,692,503	3,039,209,130
E	Loans and borrowings	Serial: III-48.1, Article 31	388,195,451	410,240,038
F	Other financial liabilities	Serial: III-48.1, Article 31	--	--
G	Financial leasing obligations	Serial: III-48.1, Article 31	20,858,369	23,167,097
H	Due to related parties (non-trade)	Serial: III-48.1, Article 23/(f)	--	--
İ	Equity	Serial: III-48.1, Article 31	2,596,696,239	2,578,219,682
	Other liabilities		48,942,444	27,582,313
D	Total liabilities and equity	Serial: III-48.1, Article 3/(k)	3,054,692,503	3,039,209,130
	Other financial information	Regulations	31 March 2020 (TL)	31 December 2019 (TL)
A1	Portion of money and capital markets instruments for real estate payments of 3 years	Serial: III-48.1, Article 24/(b)	--	--
A2	Time deposit/ demand deposit/ TL / foreign currency	Serial: III-48.1, Article 24/(b)	50,398,484	74,286,168
A3	Foreign capital market instruments	Serial: III-48.1, Article 24/(d)	--	--
B1	Foreign real estates, based on real estates projects, rights for real estates	Serial: III-48.1, Article 24/(d)	--	--
B2	Idle land	Serial: III-48.1, Article 24/(e)	--	--
C1	Foreign Subsidiaries	Serial: III-48.1, Article 24/(d)	--	--
C2	Investment in the operating company	Serial: III-48.1, Article 28	--	--
J	Non-cash loans	Serial: III-48.1, Article 31	216,169,869	216,456,082
K	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article 22/(e)	--	--
L	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article 22/(l)	--	--

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**NOTES TO THE REVIEWED FINANCIAL STATEMENTS
AS OF 31 MARCH 2020**

(Amounts expressed in Turkish Lira (TL))

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

	Portfolio Restrictions	Regulations	Calculation	Min/Max Rate	31 March 2020 (TL)	31 December 2019 (TL)
1	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1, Article 22/(e)	K/D	Maximum 10%	--	--
2	Real estates, based on real estates projects, rights for real estates	Serial: III-48.1, Article 24/(a),(b)	(B+A1)/D	Minimum 51%	92.12%	91.6%
3	Money and capital market instruments and associates	Serial: III-48.1, Article 24/(b)	(A+C-A1)/D	Maximum 49%	1.65%	2.44%
4	Foreign real estates, based on real estates projects, rights for real estate, 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 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%	24.08%	25.21%
8	Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article 24/(b)	(A2-A1)/D	Maximum 10%	1.65%	2.44%
9	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article 22/(l)	L/D	Maximum 10%	--	--