

THE YEAR OF 2013

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Our company adopts all the legal regulations and “*Corporate Governance Principles*” publicly disclosed by the Capital Market Board, and is committed to continuously detect the outdoor areas able to be improved and to continuously improve new applications having been enforced and the corporate governance system of the Company in order to provide good service for the benefits of all the groups related to the investors, shareholders and companies.

PART I - SHAREHOLDERS

1. Department of Investor Relations

Our Company has established the Department of Investor Relations which will operate as subordinated to the Vice General Manager of Portfolio Management and Financial Reporting to ensure that the operations such as use of shareholding rights, public disclosure and information, primarily including the general assembly and capital increase operations.

The Department of Investor Relations primarily conducts the following works:

To ensure that the records related to the shareholders are kept healthily, in secure and updated;

Except for the confidential information and/or trade secrets which are not publicly disclosed;

- To reply the written requests for information related to the company received from the shareholders,
- To ensure that the general assembly meeting is held in accordance with the applicable legislation, articles of association and other internal regulations,
- To prepare the documentation that can be used by the shareholders during the general assembly meeting,
- To ensure that the record of the voting results are kept and the reports related to the results are submitted to the shareholders through relevant channels,
- To conduct works to perform their duties of looking out for, and monitoring any and all considerations related to public disclosure including the legislation and company’s information policy.

In case of disputes between the shareholders and the company, the management will assess the issue and submit for the information of the Board of Directors.

In 2013, a total of 75 questions received from the individual investors via telephone and e-mail was replied by the Management, and the management attended to the domestic and foreign meetings held face-to-face with 26 investment funds and held face-to-face meetings with 20 intermediary firms.

The contact information of the management is provided below:

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2. Use of Shareholders' Right to Information

The Department of Investor Relations is available on the web address of our company at www.halkgyo.com.tr, and the information for public and shareholder disclosure about our Company is submitted for the information of the shareholders in Turkish and English as updated. In the relevant site, there is corporate information on the Company for introduction purposes, the financial statements and annual reports issued periodically, appraisal reports, material disclosures, important announcements and corporate governance structure.

For the use of the shareholders' right to information, our Company makes active use of the web site and looks out for every consideration as set forth by the legislation in accordance with all the provisions of Turkish Commercial Code, Capital Markets Law and the relevant legislation.

3. General Assembly Meetings

The General Assembly is convened to ensure the highest-level involvement of shareholders and also, the minutes of the meeting are made available all the times either in writing, or electronically. The financial statements and annual reports are made available at the head office of the company, on the web site of the company, and anywhere the shareholders can easily access not later than 21 (twenty one) days before the General Assembly. It is duly provided by the Council for the shareholders to use their rights to ask question at the General Assembly, to offer a suggestion related to the items on the agenda and to make a speech on their suggestions. There is not any provision in the articles of association that such important decisions as division, sales, purchase and leasing of assets in an important amount are taken by the General Assembly. These issues are decided upon by the Board of Directors as elected and authorized by the General Assembly in accordance with the provisions of the articles of association. The minutes of General Assembly meetings are issued on the Trade Registry Gazette and made continuously available to the shareholders at the head office of the Company and on our web site, as well.

The Ordinary General Assembly of our Company held within the period has been convened so that it can be electronically attended to in accordance with the relevant provisions of the CML (Capital Markets Law) and TCC (Turkish Commercial Code) and a 72,02 percent meeting quorum has been achieved.

Exclusive Resolutions

If the resolutions of the board of directors on the issues as listed in the paragraph (B) are not made unanimously between the Trust and the parties as listed in the paragraph (A), the resolution must be disclosed to the public along with its justifications in accordance with the regulations of the Board regarding public disclosure of the exceptions, and added to the agenda of the next general assembly meeting and submitted for the information of the shareholders.

A- Parties

1. The shareholders who hold 10 percent or above of the capital of the Trust, or are entitled to vote by this rate,
2. The shareholders who hold the shares with the privilege of nominating a candidate for the Board of Directors at the Trust,
3. The company which provides consulting service for the Trust,
4. Other companies where those listed in the paragraphs (1) and (2) hold more than 10 percent of the shares or are entitled to have voting right by this rate,
5. Affiliates to the Trust,
6. The companies which provide business administration services for the Trust,

B- Exclusive Resolutions

1. The resolutions on purchase of assets to be included in the Trust's portfolio, sales of the assets, leasing or leasing out the assets,
2. The resolutions on the determination of the companies to undertake the marketing works for the assets in the portfolio of the Trust,
3. The resolutions on establishing loan relationship,
4. The resolutions on the intermediary firm that has subscribed to buy in the public offering of the shares of the Trust,
5. The resolutions on making joint investment,
6. The resolutions on determination of the real or legal entities that will provide financial, legal or technical consulting services for the Trust,
7. The resolutions on determination of the real or legal entitled that will provide project development, control or contractor services for the Trust,
8. The resolutions on inclusion of the securities issued by the legal entities as stated in the paragraph (A) to the Company's portfolio,
9. The resolutions on the determination of the real and legal entities that will provide business administration services for the Trust,
10. As excluded from the scope of the foregoing, such resolutions that may result in favor of any of the parties as listed in the paragraph (A).

4. Voting Rights and Minority Rights

Of total of 673.638.704 shares each with a nominal value at TL 1,00, representing the issued capital within the ceiling limit of the authorized capital of the company valued at TL1.500.000.000, 10.898.181 shares constitute A group shares and 662.740.523 shares constitute B group shares.

A Group Shares are entitled to nominate a candidate for the election of the members of the Board of Directors. The member who will constitute one more than the half of the Board of Directors will be elected among the candidates as nominated by the A Group shareholders, and the rest will be elected among the candidates as nominated by the A and B Group shareholders.

In the Articles of Association of our Company, the following provision has been included: "No securities can be issued, which provides privilege other than those shares that already grants privilege to nominate candidates for the election of the members of the Board of Directors. No privilege can be created including the privilege for nominating candidates after public offering."

The controlling shareholder cast vote at the General Assembly Meeting. There are no articles in the articles of association regarding that the minority shares be represented in the management.

5. Dividend Right

The dividend policy of the company is determined by the Board of Directors considering the shareholders' equity structure and cyclical changes, and submitted for approval of the General Assembly. The dividend policy approved by the General Assembly is disclosed to the public. The relevant policy is made available on the web site of the company and included in the annual report. There is no privilege for sharing the company's profit and dividend distribution. The procedures and principles concerning the dividend of the company are provided in the Article 30 of the Articles of Association. The dividend decided to be distributed is distributed to the shareholders within the legal time periods as set forth in the legislation.

The dividend for the year 2012 has been distributed to the shareholders as bonus shares by 1,68 percent at the Ordinary General Assembly meeting for the financial year 2012, which was held in 2013.

6. Transfer of Shares

The obligation has been imposed in the relevant article of our Articles of Association; "The transfer of the shares cannot be restricted except for the considerations as set forth in the Capital Market Legislation."

PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

7. Company's Information Policy

The "Information Policy" of our Company adopts to disclose the information in time, completely, clearly and in an easily accessible way, which are not considered to be trade secret or such information that may prevent the competitive power of the Company, to the shareholders and beneficiaries, so that the same looks out for the rights and benefits of the Company in accordance with the primary transparency principle of the corporate governance.

Our Company has set their Information Policy so as to be applicable as of 2010, and submitted the same for the information of the shareholders at the General Assembly Meeting in 2010.

The Board of Directors is responsible for tracking, supervision and improvement of the Information Policy. Shareholder Relations Unit is responsible for supervising and tracking the Information Policy.

8. Company's Web Site and Its Content

The Company's web site is available at www.halkgyo.com.tr . The information and documentation as stipulated under the CMB Corporate Governance Principles and the other relevant laws and regulations are made available at the web site.

Care is taken for the web site to be used actively and kept updated continuously. The information made available at our web site is also available in English so that the foreign investors can make use of it.

9. Annual Report

Utmost care is taken to prepare the annual report of the company so detailed that the public and shareholders can access true, complete and accurate information about the Company's operations, including the information as specified in the other relevant legislation, primarily in accordance with the Corporate Governance Principles.

PART III - BENEFICIARIES

10. Informing the Beneficiaries

Our Company takes utmost care to protect the rights of all beneficiaries regulated under the legislation and mutual contracts in their transactions and operations, and the rights of all the beneficiaries are looked out for in accordance with the "Code of Ethics" of our Company. The beneficiaries are informed accurately and in time through the material disclosures made by the Company to the public, press bulletins, annual reports, web site and internal notices. The beneficiaries' information, demands and questions are submitted to the Investor Relations Department using their contact information available on the web site, except for the trade secrets and/or such information that are not publicly disclosed. In addition, it is likely for the beneficiaries to forward their questions about the operations they consider to be against the legislation and code of ethics to the Corporate Governance Committee or Audit Committee of our Company.

In 2013, a total of 4 annual reports had been issued by our Company at each quarter and 10 press bulletin had been published and 186 material disclosures made.

11. Beneficiaries' Involvement in the Management

There is not any established model for the beneficiaries other than the shareholders to be involved in the management.

All the expectations and requests of the beneficiaries who are in a relationship with the Company are assessed in accordance with the code of ethics.

12. Human Resources Policy

Such issues as the conditions for recruitment, career guidance and conditions for promotion, monetary regulations and social benefits are submitted for the information of the employees in detail and clearly under the Guidelines for Human Resources of the Company. All the decisions taken about the employees and the communication are conducted in accordance with the relevant guidelines.

There is no complaint received from the employees regarding discrimination.

The Human Resources Policy of our Company has been set under the following principles and the same has been shared with our employees.

- To carry out the operations they will perform to achieve the objectives of the Company with an ideal number of personnel,
- To select and assign the personnel who are properly qualified and suitable for the job,
- To provide for all the personnel such environment and conditions that they can make use of and develop their competences, professional development and skills,
- To provide sufficient wage and other additional facilities suitable for the market and the current conditions for the personnel,
- To pay regard and respect to the personality of the personnel and to look out for the protection of their monetary and incorporeal rights,
- To employ such personnel that adopt the company culture and corporate values, and comply with the Code of Ethics,
- To ensure that the personnel work as cost-conscious and committed to the efficiency and profitability principles.

13. Code of Ethics and Social Responsibility

The Code of Ethics, which was set in 2010 and approved by the Board of Directors, have been published at the web site of our Company and disclosed to the public. The Code of Ethics is available under the title “Corporate Governance” in the “Investor Relations” section on the web site.

Our Company carries out their relationships with all the beneficiaries with whom they have relationships in accordance with the code of ethics.

There is no action brought against the Company because of the damages to the environment within the period. Our Company's vision includes evaluation of their investment in the best way as much as providing external benefit for the environments where they are located in respect of modern urban planning.

PART IV – BOARD OF DIRECTORS

14. Structure, Formation and Independent Members of the Board of Directors

The powers and responsibilities of the members of the Board of Directors are regulated under the Articles of Association of the Company. The company is managed and represented by the Board of Directors. The Board of Directors performs the duties as assigned to them by the General Assembly in accordance with Turkish Commercial Code, Capital Markets Law and the other relevant legislation. The Board of Directors consists of a total of 6 non-executive members including two independent members.

Name	Title	Prpfession	Offices Held at the Trust for the last 5 years	Last Offices Held other than the Trust	Capital Share at Trust (%)	Represe nted Group of Shares	Date of Election for the Office/ Term of Office	Status of Independent Member of the Board of Directors
HASAN CEBEÇİ	CHAIRMAN OF THE BOARD	BANK EMPLOYEE	CHAIRMAN OF THE BOARD	TÜRKİYE HALK BANKASI A.Ş. CHAIRMAN OF THE BOARD	-	-	April 2013-3 Year	Not Independent Member
SABAHATTİN BİRDAL	VICE-CHAIRMAN OF THE BOARD	BANK EMPLOYEE	VICE-CHAIRMAN OF THE BOARD	TÜRKİYE HALK BANKASI A.Ş. MEMBER OF THE BOARD	-	-	April 2013-3 Year	Not Independent Member
AHMET YARIZ	MEMBER OF THE BOARD	BANK EMPLOYEE	MEMBER OF THE BOARD	TÜRKİYE HALK BANKASI A.Ş. MEMBER OF THE BOARD	-	-	April 2013-3 Year	Not Independent Member
LEVENT KILIÇ	MEMBER OF THE BOARD	CIVIL ENGINEER	MEMBER OF THE BOARD	TÜRKİYE HALK BANKASI A.Ş. HEAD OF CONSTRUCTION AND APPRAISAL DEPARTMENT	-	-	April 2013-3 Year	Not Independent Member
YÜKSEL GÖRGEÇ	MEMBER OF THE BOARD	BANK EMPLOYEE	MEMBER OF THE BOARD		-	-	April 2013-3 Year	Independent Member
YUNUS KARAN	MEMBER OF THE BOARD	BANK EMPLOYEE	MEMBER OF THE BOARD		-	-	April 2013-3 Year	Independent Member

It is not restricted for the members of the Board of Directors to take office or offices other than the company and the provisions of Turkish Commercial Code concerning noncompetition are observed. There has not been experienced any case against performing transactions with the Company and noncompetition with respect to the Members of the Board of Directors in 2013.

The statements of independence made by the independent members in accordance with the relevant communiqué and regulations are provided under the title no. 2 in our annual report for 2013.

15. Operation Principles of the Board of Directors

The Board of Directors is convened with the invitation by the Chairman or the Vice-Chairman at required times in respect of the Company's operations. Each of the members of the Board of Directors can also make a written application to the Chairman or the Vice-Chairman to convene the Board for a meeting. If, however, the Chairman or the Vice-Chairman fails to convene the Board for a meeting, the members shall become entitled to call a meeting ex-officio.

If none of the members makes a request for convening a meeting, the resolutions of the board of directors can be made with the written approval of the majority of at least the whole number of the members for the suggestion written as a resolution offered by one of the members of the board regarding a particular subject. Offering the same suggestion to all the members of the board of directors is stipulated for the validity of the resolution made in this way. The approvals should not be affixed on the same page; however, all the papers with the approval signatures is required to be attached to the minutes book of the board of directors or translated into a resolution consisting of the approvals of those who have accepted the suggestion and entered into the minutes book for such resolution to be applicable.

Each member has a voting right at the meetings. The voting right is used personally. If none of the members makes a request for convening a meeting, a resolution can also be made with the written approval of other members for the suggestion offered by one of the members.

The meeting agenda of the Board of Directors is determined by the Chairman of the Board of Directors. The agenda can be changed based on a resolution of the Board of Directors. The meeting venue is the head office of the company. However, the Board can be convened at another place, provided a resolution of the Board of Directors is made.

The Board of Directors is convened by an absolute majority and the resolutions are made by the absolute majority of those who attend to the meeting. The attendees use their voting rights as either affirmative or negative vote at the meeting of the Board of Directors. Those who cast a negative vote will write down the reason for rejection under the resolution.

Those who do not attend to the meeting cannot cast a vote in writing or otherwise, unless it is based on a justifiable excuse. The Members of the Board of Directors who have failed to attend three meetings successively without getting permission of the Board of Directors, or even if intermittently, to a half of the meetings held within a financial year for any reason or obligation whatsoever will be deemed to have been resigned.

The meetings of the Board of Directors can be held physically and/or electronically.

Those who are entitled to attend the meeting of the board of directors of the company can also attend these meetings electronically in accordance with the Article 1527 of Turkish Commercial Code. While the Company can make the Electronic Meeting System that will allow them to attend these meetings and cast a vote electronically installed, they can also outsource such service from the systems established for that purpose in accordance with the "Communiqué on the Board meetings to be Held Electronically at the Corporations other than the General Assemblies of the Incorporated Companies." In the meetings to be held, it will be ensured that the right holders can make use of their rights as set forth in the relevant legislation in accordance with the framework as provided in the provisions of the

Communiqué through the system as installed as per this provision of the Articles of Association or through the system where support services are provided.

In 2013, the Board of Directors of the Company has convened for 28 times and made 64 resolutions during these. Care is taken for the date of meeting to be determined so as to ensure the participation of all the members.

16. Number of Members, Structure and Independence of the Committees Constituted at the Board of Directors

A Corporate Governance Committee, an Audit Committee, a Remuneration Committee and an Early Detection of Risk Committee have been established at the existing board of directors in accordance with the Corporate Governance Principles of the Capital Market Board and Operating Principles of the Board of Directors at the Company. The committees are convened at least once every 3 months and report to the Board of Directors.

The chairmans and members of the committees are provided below:

Committee	Chairmen	Status of Independence	Member	Status of Independence
Audit Committee	Yunus KARAN	Independent	Yüksel GÖRGEÇ	Independent
Corporate Governance Committee	Yüksel GÖRGEÇ	Independent	Sabahattin BİRDAL	Not Independent
Remuneration Committee	Yüksel GÖRGEÇ	Independent	Sabahattin BİRDAL	Not Independent
Early Detection of Risk Committee	Yüksel GÖRGEÇ	Independent	Yunus KARAN	Independent

The Board of Directors of the Company is constituted by 6 non-executive members as specified in the Article 15, and 2 members hold the status of independent member of the Board of Directors. As it is required to have at least one independent member in the committees as per the relevant legislation, a member of the board of directors is assigned in more than one committee within the current organization.

17. Risk Management and Internal Control Mechanism

At the Company, the risk management, internal control and audit systems are organized in accordance with the international practices, principles and organization framework. Risk management and internal control operations are conducted by the “Department of Internal Audit and Risk Control” and the “Department of Risk Management”. The “Department of Internal Audit and Risk Control” makes reporting simultaneously to the Audit Committee and senior management of the company in respect of the risks related to the company’s operation, risk policy of the company and risk management in accordance with the relevant internal regulations. A periodic assessment report, a statement of compliance with and follow up of the portfolio restrictions, and a monthly statement of liquidity rate are drawn up by the Department of Risk Management, and these are submitted simultaneously to the Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee and to the senior management. Thus, in respect of the management of the relevant risks, it is aimed by the senior management of the Company to take the necessary actions and to develop control systems.

Halk GYO provides a wide portfolio range within the real estate industry as an investment strategy, and they steer for the estate where they earn regular rental income and put efforts to minimize the risk for their investors in respect of choosing the real estate.

The real estate contained in the company's portfolio are insured against any and all damages.

18. Company's Mission, Vision, and Strategic Goals

The Company's mission is to continuously create added value for their clients and shareholders, to contribute to the development of REIT industry and to become a globally well-known company.

The Company's vision is to become one of the leading companies within the REIT industry and a corporation that creates a management structure, which acts with integrity and transparency and is trusted, looks out for the rights of their shareholders, and is preferred by other investors all the time.

The Company's strategic goals include developing their real estate portfolio as heavily based on the commercial property where can be gained high rental income and offering high return to their shareholders.

The performance assessments of the company are conducted quarterly by the Board of Directors during the assessment of the financial statements.

19. Financial Rights

Any and all benefits and pays provided for the Board of Directors and executives of the company as well as the criteria and remuneration principles used in determining these are set in accordance with the Remuneration Policy of the company, and the relevant policy is disclosed to public on the web site.

Their social rights are provided regularly and periodically to the executives in accordance with the legal regulations, and no different compensation policy is applied other than the legal compensations as set forth in the laws and regulations. The pays for the executives are determined based on the resolution of the Board of Directors.

Care is taken for the pay to be at a level that protects the independence of the member while determining the pay levels of the independent members of the board of directors, and no stock options or payment schemes based on the performance of the company are used in accordance with the Corporate Governance Principles. The pays to the members of the Board of Directors will be determined based on the resolution of the General Assembly.

The company has not lent money, extended a loan, extended a loan under the name of personal loan through any third parties or given such guarantees as surety in their favor to any member of the Board of Directors and the executives within the period.

The total of the financial rights provided by the company for the board of directors and the executives is TL 931.850 as of the end of 2013.