



# HALKGYO

ANNUAL REPORT BY THE BOARD OF DIRECTORS

# 2013



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# HALK REAL ESTATE INVESTMENT TRUST, INC

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**This report has been drawn up in accordance with the texts of the Communiqués Serial: II, No. 14.1 and Serial: III, No: 48-1 and the Regulations of 28.08.2012 of the Capital Markets Board.**

# HALK REAL ESTATE INVESTMENT TRUST, INC



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
Kavacık Rüzgarlı Bahçe Mah.  
Kavak Sok. No: 29  
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## CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITORS' REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To Board of Directors of  
Halk Gayrimenkul Anonim Şirketi,

1. As a part of our independent audit procedures, we have evaluated whether the financial information, discussions and explanations of the Board of Directors included in Halk Gayrimenkul Anonim Şirketi ("*the Company*")'s Annual Report as of 31 December 2013 are consistent with the audited financial statements as of the same date.
2. Management is responsible for the preparation of such annual report in accordance with the Legislation on Determination of Minimum Content Requirements For Companies' Annual Reports.
3. Our responsibility, as independent auditors' of the Company, is to express an opinion on whether the financial information included in the Annual Report is consistent with the audited financial statements in the Independent Auditors' report dated 30 January 2014.

Our evaluation is based on the principles for the preparation and publication of annual reports as promulgated by Communique on Financial Reporting by Companies in Capital Markets. These principles require us to plan and perform procedures to obtain reasonable assurance on whether there is a material misstatement on the consistency of the financial information included in the Annual Report with the audited financial statements and any supporting information obtained by independent auditor during the audit.

We believe that our evaluations are sufficient and appropriate to provide a basis for our opinion.

4. Based on our evaluation, nothing has to come our attention that causes us to believe that the financial information, discussions and explanations by the Board of Directors included in the accompanying Annual Report are not fairly consistent with the audited financial statements of Halk Gayrimenkul Yatırım Ortaklığı Anonim Şirketi as of 31 December 2013.

AKİS BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK AŞ

Erdal Tıkmak  
Partner

Istanbul, 30 January 2014



*Dear Shareholders,*

*After the year 2012 when the unemployment was reduced and financial discipline was kept under control through low inflation and steady growth for Turkish economy, we have left behind 2013 which has passed challenging both for the world, and also, for our country.*

*In our economy which has achieved growth by 4,4 percent in the third quarter of 2013, and by about 4,0 percent in average for nine month period, the increase in domestic demand has played a triggering role. Our country has ranked the fourth among G20 countries, and the second most growing country among OECD countries, and has achieved a higher growth than all of the Eurozone countries with the growth rate of the third quarter.*

*2013 has been a period when the lowest levels have been seen since 2010, in respect of the growth data of the world economy. However, it is expected that in 2014, especially the economies of the developed countries will be recovered. This is expected to have a positive impact on the growth performance of our country, particularly through foreign trade channel.*

*Although 2013 was a period when the economic and social fluctuations accelerated, a 17,6% growth data as announced as of the 3rd quarter of 2013 shown that the construction and real estate fields of industries had continued to hold on to their position among the leading industries of economy. Supporting the growth potential, the existing demographic and sociological structure of our country has achieved to keep the supply and demand equilibrium within the industry alive.*

*As one of the leading corporations within the industry, our Company has so far increased their real estate portfolio by 136 percent at current values as a result of the investments and diversifications in their portfolio since their foundation.*

*We wish that the growth and steadiness in efficient studies achieved by both our country and our Company in 2013 will also continue in 2014, and 2014 will be a year when the targets are achieved.*

**Sincerely,**

*Hasan CEBECİ*

*Chairman*



*Dear Shareholders,*

*We are proud of, and happy to see, that we have been completed 2013, which we pass as a publicly-held company as a result of our successful public offering process we have performed in February, with efficient and extremely successful studies.*

*Despite being a young company founded in October, 2010, at the point where we have achieved today, we continue to progress with sound steps to achieve the goal of being one of the major actors of REIT industry*

*Since the foundation of our Company, we have continued to work within a corporate and transparent structure by looking out for the interests of all our shareholders. As a result of the significant and successful investments we have made, our real estate has increased by 8 percent compared to last year and reached up to TL 1.165 million and our assets' size has increased by 31% and reached up to TL 890 million. Our company has successfully maintained the profitable growth strategy and ended the year with a profit amount valued at TL 31.5 million and achieved an average return on equity by 4,32 percent*

*The real estate distribution of our Company constitutes buildings with rental income by 38% and lands and projects by 62%, and 2013 was a period when concrete and efficient developments were experienced on the part of our projects.*

*For Istanbul Finance Center project as the most valuable project of our Company's portfolio, the selection process for the architectural design and project management companies has been completed. This project is to get the leading financial institutions in our country together, and to make Istanbul a global financial center and to provide high added value to our Company.*

*For our Levent Hotel project, which we have planned to construct on our land located on Buyukdere Avenue, as the most prestigious business centers of Istanbul, and is our first hospitality investment, we have taken concrete steps in 2013. In our project for which the construction permit was obtained and the contractor company selection process was completed, the construction works have been continued at full speed, and it is intended to complete the project in 2014. A contract has been executed for the hotel building to be leased by Dedeman Hotels & Resorts International for 10 years after the completion of the project.*

## HALK REAL ESTATE INVESTMENT TRUST, INC

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*The great interest keeps on being drawn to our residential project of which contract was awarded so that our minimum total revenue TL 90,5 million in consideration for the land sale, and construction was started on our land in Osmaniye, Bakirkoy which has turned out to be increasingly more preferred settlement area in Istanbul. At the end of the year, total residential sales valued at TL 117 million had been performed.*

*The foundations of our bank operation center project which has been included in the portfolio of our Company in September, 2012 and will be constructed on our land located within an area of 15.652 m<sup>2</sup> in Sekerpinar, Kocaeli have been also laid. The construction of the 1st part, which will be constructed so as to have an area of, 9.131 m<sup>2</sup>, of the project of which construction tender process has been completed within the period, has been continued in the fastest way.*

*2013 was the year when we started to construct our Panorama Plus project to be implemented on our land located in the district of Odunpazari, Eskisehir in the portfolio of our Company, which we call as our first residential project. Our project of which construction permit was obtained within the relevant period and the main contractor company selection was completed, was launched in November, and the residential sales were started.*

*In accordance with the strategy to manage our portfolio efficiently and profitably, the sales of our Karsiyaka building in our portfolio were realized by making profit valued about TL 9 million compared to its book value.*

*With our strategy "Sustainable profitability and growth with right project at the right location", we aim to continue our success we have achieved in 2013 and our efficient works in 2014 and to achieve an average return on equity by about 7,5 percent by increasing our profitability.*

*I would like to convey thanks to our major shareholder Turkiye Halk Bankasi A.S. first, and then all those who contributed, our Board of Directors, our shareholders, our business partners and our employees for all our works and successes we have achieved.*

Sincerely,

*Kazım ŞİMŞEK*

*General Manager*



# HALK REAL ESTATE INVESTMENT TRUST, INC

## COMPANY PROFILE

### 1. Company's Field of Business and Details

Founded in 2010 as a subsidiary of Turkiye Halk Bankasi A.S. with a total capital valued at TL 477 million with TL 476 million of it being in-kind, Halk Gayrimenkul Yatirim Ortakligi A.S. (Halk GYO) is a company which invests in real estates, rights on real estates, real estate projects and capital market instruments.

Our Company observe the regulations of the Capital Market Board and the relavant legislation in their operations, portfolio investment policies and management restrictions.

Having offered to public as of February, 2013 and begun to be traded at BIST 100, our Company has closed 2013 with a real estate portfolio of TL 1.165 million at current values, assets' size of TL 890 million and equity of TL 769 million, while they were TL 520 million, TL 479 million and TL 477 million respectively at the end of 2010.

<b>Head Office</b>	Şerifali Çiftliği Tatlısu Mahallesi Ertuğrulgazi Sokak No:1 34774 Yukarı Dudullu Ümraniye/İSTANBUL
<b>Telephone</b>	216 600 10 00
<b>Fax</b>	216 594 53 72
<b>Web Site</b>	<a href="http://www.halkgyo.com.tr">www.halkgyo.com.tr</a>
<b>Trade Reg. No</b>	İstanbul / 751122
<b>Mersis No:</b>	7511229795572422

#### VISION

To become one of the leading companies within REIT industry, and to become a company that looks out for the rights of their shareholders by establishing a governance structure acting with integrity, transparency and trust and that is always preferred by other investors

#### MISSION

To always create added values for their clients and shareholders, to contribute to the improvement of REIT industry, and to become an internationally recognized company.

#### STRATEGY

To develop our real estate portfolio heavily based on the commercial property where can be gained high rental income and to provide high return for our shareholders using our equity weighted financing model.



# HALK REAL ESTATE INVESTMENT TRUST, INC

## 2. Members of the Board of Directors and Their Terms of Office

### ➤ Board of Directors

Name	Title	Start Date of Term of Office	*Date of Election	Term of Office
Hasan CEBECİ	Chairman	29.03.2011	10.04.2013	3 years
Sabahattin BİRDAL	Vice Chairman	29.03.2011	10.04.2013	3 years
Ahmet YARIZ	Member	14.05.2012	10.04.2013	3 years
Levent KILIÇ	Member	18.10.2010	10.04.2013	3 years
Yunus KARAN	Independent Member	14.05.2012	10.04.2013	3 years
Yüksel GÖRGEÇ	Independent Member	14.05.2012	10.04.2013	3 years

\*The Board of Directors has been re-elected to hold office for the further 3 years during the Ordinary General Assembly of 2012 meeting held on 10.04.2013.



**Hasan CEBECİ**  
Chairman

He was born in 1949 in Cankiri. He completed his undergraduate studies at the Department of Economy & Finance, Ankara Academy of Economics and Commercial Sciences. He has continued his carrier, which he kicked-off as an Assistant Inspector at T. Vakiflar Bankasi T.A.O., respectively as Inspector, Branch Manager, Unit Manager, District Manager and Vice- General Manager at the same Bank. He was assigned to the position of Managing Member of the Board of Directors responsible for the Loans at T. Halk Bankasi A.S. on 28.03.2003, and had continued to hold office at the position of General Manager and CEO as of 08.12.2003. He has been holding office as the Chairman of the Board of Directors at T. Halk Bankasi A.S. as of 13.04.2005.



**Sabahattin BİRDAL**  
Vice Chairman

He was born in 1952 in Kemah/Erzincan. He completed his undergraduate studies at the Department of Business Administration & Finance, Faculty of Economics, Istanbul University. He kicked-off his career as an Assistant Inspector at T. Vakiflar Bankasi T.A.O. He held office of Inspector and Branch Manager at the same bank. He also held offices of Banking Services Manager at Faisal Finans Kurumu, and Branch Manager, Unit Manager and Vice-General Manager at Kuveyt Turk Evkaf Finans Kurumu. Having hold offices of Deputy Mayor of Uskudar between April 2004 and March 2008, and the Member of the Board of Directors at T. Vakiflar Bankasi T.A.O. between March 2008 and October 2010, Mr. Birdal has been holding office of the Member of the Board of Directors at T. Halk Bankasi A.S. as of 27.10.2010.



**Dr. Ahmet YARIZ**  
Member

He was born in 1966 in Elazig. He completed his undergraduate studies at the Faculty of Business Administration, Istanbul University and his graduate and doctorate studies at the Institute of Banking and Underwriting, Marmara University. He started his banking career at Sinafi Yatirim ve Kredi Bankasi A.O., Mr. YARIZ held offices at industrial enterprises and financial institutions. He also held offices of the Member of the Board of Directors responsible for the Risk Management and Internal Audit at T. Vakiflar Bankasi T.A.O. as well as of the Member of Board at Saving Deposit Insurance Fund of Turkey. He has been holding office of the Member of the Board of Directors at T. Halk Bankasi A.S. as of 09.04.2008

# HALK REAL ESTATE INVESTMENT TRUST, INC



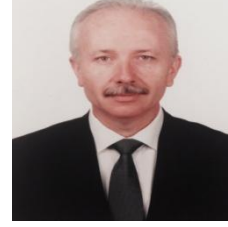
**Levent KILIÇ**  
Member

He was born in 1965 in Ankara. He completed his undergraduate studies at the Department of Construction, Faculty of Engineering, Middle East Technical University. He kicked-off his career in 1988 as an Engineer at Ankara Water and Sewerage Administration. After he held offices of Engineer, Chief Engineer, Vice-Manager, Director, District Manager, he has been assigned as Head of Department in 2008. He is still holding office at this position. On the other hand, he held offices of Vice-Chairman of the Board of Directors and Member of the Board of Directors at T. Halk Bankasi Yardimlasma Vakfi Halk Emlak Insaat ve Ticaret A.S. Married and having 2 children, Mr. Levent KILIÇ can speak English..



**Yunus KARAN**  
Independent Member

He was born in 1940 in Giresun. He completed his undergraduate studies in 1964 at the Department of Finance & Accounting, Istanbul Academy of Economics and Commercial Sciences. Having started to hold office at Rize Branch of T.C. Ziraat Bankasi A.S. in 1965, Mr. KARAN had held office of Branch Manager at Dolapdere, Sehremini and Fatih branches of T.C Ziraat Bankasi A.S. until 1996, and of Fatih Branch Manager at Ihlas Finans Kurumu between 1996 and 1999. Having held office of the Member of the Board of Directors at Ziraat Leasing Finansal Kiralama A.S between 2002 and May, 2012, Mr. Yunus KARAN has been assigned to the position of the Independent Member of the Board of Directors at Halk Gayrimenkul Yatirim Ortakligi A.S. on 14.05.2012.



**Yüksel GÖRGEÇ**  
Independent Member

He was born in 1960 in Osmaniye/Çorum. He completed his graduate studies at the Department of Economics and Finance, Faculty of Political Sciences, Ankara University. He kicked-off his career as a Vice-Inspector at Tobank. He held offices of Inspector, Branch Manager and Unit Manager at the same bank. He later held offices of Chairman of the Board of Inspectors, Branch Manager and Unit Manager at Albaraka Turk Katilim Bankasi A.S. Having held offices of Vice-Chairman and Member of the Fund Committee between 2004 and 2010 at Saving Deposit Insurance Fund of Turkey, Mr. GÖRGEÇ also simultaneously held offices of the Member of the Board of Directors at Fonbank and Chairman of the Board of Directors at Star Group Media Companies. He has been assigned as the Independent Member of the Board at Halk Gayrimenkul Yatirim Ortakligi A.S. on 14.05.2012.

## Members of the Board's Authorization and Limits of Authorization

The Chairman and the members of the Board of Directors are authorized as defined in the relevant articles of Turkish Commercial Code and the Articles of Association of the Company.

# HALK REAL ESTATE INVESTMENT TRUST, INC

## Independence Statements by the Members of the Board of Directors

### TO THE CHAIRMAN OF THE BOARD OF DIRECTORS OF HALK GAYRIMENKUL YATIRIM ORTAKLIGI ANONIM SIRKETI INDEPENDENCE STATEMENT

I declare that :-

I will hold office independently in the operations that may affect the value of the company and investor's decision;

There has not been established any relationship based on employment within the last two years between me, my spouse and blood relatives and affinities by marriage up to the third degree and based on interest, directly or indirectly, in respect of capital or trade, with the Company or any affiliates, subsidiaries and group companies of the Company;

I have not been elected for the board of directors to represent a certain group of shares;

I am not currently holding office and have not held office of the manager within the last two years at the companies that conduct the whole or a part of the business and organization of the Company in accordance with the contracts having been concluded including the companies that provide audit and consulting for the company;

I have not worked and held office of the manager within the last two years at any of the companies that substantially provides services and products for the company;

My spouse or any of my blood relatives and affinities by marriage up to the third degree is not currently holding office at the company, or a shareholder who holds more than 5% of the total capital or has a control over the management in any case or does not hold office at any manager's position or not influencing on the control of the company;

I have not earn any income from the Company before having been assigned as a Member of the Board of Directors, and I do not have any shares in connection with my office as the member of the board of directors.

**14.05.2012**  
**Yüksel GÖRGEÇ**

### TO THE CHAIRMAN OF THE BOARD OF DIRECTORS OF HALK GAYRIMENKUL YATIRIM ORTAKLIGI ANONIM SIRKETI INDEPENDENCE STATEMENT

I declare that:-

I will hold office independently in the operations that may affect the value of the company and investor's decision;

There has not been established any relationship based on employment within the last two years between me, my spouse and blood relatives and affinities by marriage up to the third degree and based on interest, directly or indirectly, in respect of capital or trade, with the Company or any affiliates, subsidiaries and group companies of the Company;

I have not been elected for the board of directors to represent a certain group of shares;

I am not currently holding office and have not held office of the manager within the last two years at the companies that conduct the whole or a part of the business and organization of the Company in accordance with the contracts having been concluded including the companies that provide audit and consulting for the company;

I have not worked and held office of the manager within the last two years at any of the companies that substantially provides services and products for the company;

My spouse or any of my blood relatives and affinities by marriage up to the third degree is not currently holding office at the company, or a shareholder who holds more than 5% of the total capital or has a control over the management in any case or does not hold office at any manager's position or not influencing on the control of the company;

I have not earn any income from the Company before having been assigned as a Member of the Board of Directors, and I do not have any shares in connection with my office as the member of the board of directors.

**17.05.2012**  
**Yusun KARAN**

# HALK REAL ESTATE INVESTMENT TRUST, INC

## ➤ Committees

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.

9 meetings were held by the Audit Committee in 2013 and 6 reports were drawn up for the Board of Directors. As a result of 4 meetings held by the Corporate Governance Committee, 4 reports were drawn up for the Board of Directors, and 4 meetings have been held by the Early Detection of Risk Committee and 4 reports have been submitted for the information of the Board of Directors.

### Members of Audit Committee

Name	Title	Capital Share		Represented Share Group
		(TL)	(%)	
Yunus KARAN	Chairman- Independent Member	-	-	-
Yüksel GÖRGEÇ	Member- Independent Member	-	-	-

### Members of Corporate Governance Committee

Name	Title	Capital Share		Represented Share Group
		(TL)	(%)	
Yüksel GÖRGEÇ	Chairman- Independent Member	-	-	-
Sabahattin BİRDAL	Member- Member	-	-	-

### Members of Early Detection of Risk Committee

Name	Title	Capital Share		Represented Share Group
		(TL)	(%)	
Yüksel GÖRGEÇ	Chairman- Independent Member	-	-	-
Yunus KARAN	Member- Independent Member	-	-	-

### Remuneration Committee

Name	Title	Capital Share		Represented Share Group
		(TL)	(%)	
Yüksel GÖRGEÇ	Chairman- Independent Member	-	-	-
Sabahattin BİRDAL	Member- -Member	-	-	-

# HALK REAL ESTATE INVESTMENT TRUST, INC

## 3. Executives

<b>Name</b>	<b>Title</b>	<b>Profession</b>
Kazım ŞİMŞEK	General Manager	Business Manager
Şeref AKGÜL	Vice General Manager	Economist
Erdoğan YILMAZ	Chief Financial Officer	Public Accountant
Uğur GÜNEY	Investor Relations Manager	Business Manager
Harun ŞAHİN	Risk Management Director	Business Manager
Erdal BEKİN	Project Implementation Manager	Civil Engineer
Kürşat Serkan HAKAN	Project Development Manager	Civil Engineer
Aysun KAHRAMAN EZER	Internal Audit and Risk Control Manager	Business Manager



**Kazım ŞİMŞEK**  
General Manager

He was born in 1957 in Artvin. He completed his undergraduate studies at the Department of Business Administration, Hacettepe University. He kicked-off his career at the Department of Overhead Operations General Directorate of Retirement Fund of the Republic of Turkey. He then continued his career as an Inspector at the Board of Inspectors at Türkiye Vakıflar Bankası and as Branch Manager, Central Anatolia Regional Manager and as the Head at departments of Investment Banking - Individual Loans - Individual Banking- IT – Planning and Performance. He held office of the General Manager and the Chairman of the Board of Directors at Atakule Gayrimenkul between September 2007-April 2009. Having held office of the Head at Individual Loans and Allocation Monitoring Departments at Türkiye Halk Bankası A.S. on April, 2009, Mr. Simsek has been holding office as the General Manager at Halk Gayrimenkul Yatırım Ortaklığı A.S. as of November, 2010.



**Şeref AKGÜL**  
Vice General Manager

He was born in 1972 in Ankara. He completed his undergraduate studies at the Faculty of Economics in 1996. He completed his MBA studies at Fatih University, Istanbul in 2006. He kicked-off his career in 1998 as the Assistant Inspector at the Board of Inspectors at Toprakbank A.S. He had held office of the Inspector at Toprakbank A.S. and Anadolu Bank A.S. until 2003. He had held office at the positions of the Auditor, Vice Manager, Vice Chairman and Vice Marketing Manager, respectively, at Department of Internal Audit Center, Directorate of Financial Control and Reporting, Department of Internal Control Center and İmes Sanayi Branch at Asya Katılım Bankası A.S. between 2003 and 2008. He held office as the Marketing Director at Finansbank A.S. Having been assigned in 2010 as the Internal Audit and Risk Control Manager at Halk Gayrimenkul Yatırım Ortaklığı, Mr. AKGUL has been holding office of the Vice General Manager at Portfolio Management and Financial Reporting as of September, 2012.

# HALK REAL ESTATE INVESTMENT TRUST, INC

## 4. Company's Capital and Shareholding Structure

The capital details and shareholding structure of our company are as follows as of 31.12.2013.

### Capital Details

	Grubu	Issued Capital		Authorized Capital	
		673.638.704.- TL		1.500.000.000.- TL	
		31 December 2013		31 December 2012	
		Share	Share	Share	Share
		Rate	Amount	Rate	Amount
		%	TL	%	TL
Halkbank A.Ş.	A	1,50	10.135.571	2,09	9.967.978
Halkbank A.Ş.	B	70,38	474.121.699	97,75	466.282.021
Halk Yatırım A.Ş.	A	0,04	254.203	0,05	250.000
Halk Sigorta A.Ş.	A	0,04	254.203	0,05	250.000
Halk Hayat Sigorta A.Ş.	A	0,04	254.203	0,05	250.000
Halk Finansal Kiralama A.Ş.	A	<0,01	1	<0,01	1
*Publicly Held	B	28,00	188.618.824	--	--
<b>Paid in Capital</b>		<b>100</b>	<b>673.638.704</b>	<b>100.00</b>	<b>477.000.000</b>

\*As of 31.12.2013, Halkbank A.S.'s share among the total shares is 6,11 percent at a nominal amount valued at TL 41.138.486 and Halk GYO A.S.'s share is 2,82 percent at a nominal amount valued at 18.991.341.

CMB (Capital Market Board) has authorized the issuance of the B Group shares with nominal value at TL 185.500.000 to be offered to public for the Company's issued capital valued at TL 477.000.000 within the authorized capital ceiling valued at TL 1.500.000.000 to be increased up to TL 662.500.000, and the shares constituting 28 percent of the shares of the Company as a result of the public offering have been started to be traded on BIST with the code "HLGYO" as of 22nd February 2013.

With the capital increase through bonus issues performed with a nominal value at 11.138.704 and by 1.68131 percent to be fully covered from the profit for 2012 based on the Resolution of the Board of Directors of 24.05.2013, the issued capital of the Company has been raised from TL 662.500.000 to TL 673.638.704.

Of total of 673.638.704 shares each with a nominal value at TL 1.00, 10.898.181 shares constitute A group shares and 662.740.523 shares constitute B group shares.

A group shares of the Company are entitled to nominate a candidate for the election of the members of the Board of Directors.

# HALK REAL ESTATE INVESTMENT TRUST, INC

## The Shareholders holding more than 10% of the Capital

The details of the shareholder who has more than 10 percent of the capital as of 31st December 2013 are provided below:

Shareholder	Share
Turkiye Halk Bankasi A.S.	77,99 %

Ratio of Non-Public Shares to the Total Capital: **71,88 %**  
Ratio of Public Shares to the Total Capital: **6,11 %**

## ASSESSMENT OF THE YEAR BETWEEN 1 JANUARY -31 DECEMBER 2013

### 1. Operations Performed under Corporate Governance Principles

A permit application was submitted to Capital Markets Board with the purpose of amending Articles of Association within the scope of provisions of the new Turkish Commercial Code and the new Capital Markets Law that entered into force in 2012.

Permits required for amending Articles of Association were obtained with letter no. 2866 of 21.03.2013 issued by Capital Markets Board and letter no. 2206 of 26.03.2012 issued by T.R. Ministry of Customs and Trade, General Directorate of Domestic Trade.

Approved articles of association draft was presented for information and review of our partners in Public Disclosure Platform and Company`s internet site.

Text of amendment accepted in General Assembly Meeting held on 10.04.2013 was registered on 25.04.2013 and announced in Turkish Trade Registry Gazette on 02.05.2013.

Audit Committee, Corporate Governance Committee and Committee for Early Detection of Risks were formed as a result of Ordinary General Assembly Meeting held on 10 April 2013 with the purpose of compliance to CMB Corporate Governance Communiqué. Mr. Yunus KARAN, independent member, was elected as President and Mr. Yüksel GÖRGEÇ, independent member, was elected as member of the Audit Committee; Mr. Yüksel GÖRGEÇ, independent member, was elected as President and Mr. Sabahattin BİRDAL, member Board of Directors, was elected as member of the Corporate Governance Committee; Mr. Yüksel GÖRGEÇ, independent member, was elected as President and Mr. Yunus KARAN, independent member, was elected as member of the Committee for Early Detection of Risks.

# HALK REAL ESTATE INVESTMENT TRUST, INC

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On September, a decision was made on forming a Remuneration Committee with a proposal presented to Board of Directors. As required by the communiqué, Mr. Yüksel GÖRGEÇ, independent member Board of Directors, was elected as President and Mr. Sabahattin BİRDAL, member Board of Directors, was elected as member of the committee.

## 2. Major Amendments and Updates to the Communiqué

For the year between January and December 2013, Capital Markets Board updated the followings:

- Communiqué on Principles Concerning Real Estates Investment Trusts,
- Communiqué on Financial Reporting
- Communiqué on Amendment of the Communiqué on Independent Audit Standards in Capital Markets
- Communiqué on Issue of Real Estate Certificates
- Communiqué on Managers' Payment of Net Income from the Purchase and Sale to the Issuer and new communiqués entered into force upon publishing in Official Gazette.

Communiqué Serial II, No: 48.1 on Principles Concerning Real Estate Investment Trusts entered into force upon publishing in Official Gazette No. 28660 of 28/05/2013.

With the relevant regulations;

- ✓ It was set forth that minimum 51 percent of net assets of REITs should consist of real estate investments thus their principal business activities should be real estate investments.
- ✓ Compulsion of leading investors was revoked, bureaucratic procedures during incorporation and transition stages were facilitated.
- ✓ It was set forth that permission is required from the Board only for assignments leading to a change in governance control among other share assignments during the period following initial public offering; with this regulation, procedural obligations of REITs were mitigated without leading to the loss of affectivity in identification of partners holding governance control on trust.
- ✓ Specific decisions were expanded such that all associated parties and operation are covered, it was made compulsory to announce certain information to the public in case consultancy, administration or construction services are received from associated parties; thus effective elucidating of investors and transparency in operations of associated parties were aimed.
- ✓ Financing opportunities were increased by allowing REITs to issue real estate certificates.
- ✓ A regulation was made on the responsibility of boards of director or if authorized, the relevant executive director against liabilities under the communiqué, thus responsibilities of the legal entity and executives were clarified.



## HALK REAL ESTATE INVESTMENT TRUST, INC

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Communiqué Serial II, No:14.1 on Principles Concerning Financial Reporting in Capital Markets entered into force on the date of publishing, provided that it applies to interim financial reports expired after 01.04.2013 upon being published in the Official Gazette No 28676 of 13.06.2013.

With the new regulation;

- Provisions were made for predicating financial statements on TMS/TFRS (Turkish Accounting Standards/ Turkish Financial Reporting Standards) published by Public Oversight, Accounting and Auditing Standards Authority.
- Definition of “Enterprise” was expanded to cover investment funds and all issuers and capital market institutions other than residential finance and asset finance funds. Unlisted publicly-held companies, mortgage financing institutions, asset leasing companies, central clearing institutions, central depository institutions, data storage institutions, rating agencies, assessment agencies and independent audit agencies are included in the definition of enterprise.
- It was set forth that issuance of financial reports within the framework of forms and principles specified in accordance with special regulations concerning capital market instruments, publicly traded financial leasing, factoring and financing companies as in banking and insurance companies shall mean fulfillment of financial reporting liability set forth in this Communiqué.
- Investment trusts with liability to issue consolidated financial statements were imposed liability to issue individual financial statements in addition to consolidated financial statements, enforcement date of the aforementioned liability was delayed until the first interim period after 01.01.2014 in order to allow adaptation by investment trusts to the new practice.
- Provisions of “Regulations on Determination of Minimum Content of Companies` Annual Reports” of Ministry of Customs and Trade shall apply to minimum particularities that should be included in annual reports of board of directors and additional provisions were established.
- It was made compulsory for board of directors of enterprises to assign, if any, auditing committee, otherwise at least one member as the responsible person for financial reporting in accordance with Article 14 under Capital Markets Law.
- Principle of announcing financial reports to the public was adopted instead of the practice of “notification to the board or stock exchange”. Terms of announcing annual and interim financial reports were reduced. In addition, terms were determined as days.

Within this scope;

- a. It was changed as 60 and 70 days for annual financial reports (respectively non-consolidated and consolidated), 30 and 40 days for interim financial reports (respectively non-consolidated and consolidated) and it was added 10 days in case interim period is subject to auditing.

## HALK REAL ESTATE INVESTMENT TRUST, INC

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- b. For financial reports of other enterprises, it was changed as 30 and 40 days for interim financial reports (respectively non-consolidated and consolidates) issued 3 weeks before general assembly meeting held in order to discuss said financial reports and in any case at the end of the third month following the expiry of the relevant accounting period and it was added 15 days in case interim period is subject to auditing.
- It was made compulsory for enterprises of which capital market instruments are traded in stock exchange and/ or any other organized market places to announce financial reports to the public after the last session with the purpose of preventing provisional asymmetric information.
  - Financial statements are allowed to be announced to the public before annual reports of board of directors provided that terms set forth in connection with public announcement of financial reports are followed. In this case, separate decisions should be made and state of responsibility should be issued for both financial statements and annual report of board of directors.
  - Financial statements shall not be published in Turkish Trade Registry Gazette as the obligation of publishing financial statements in Turkish Trade Registry Gazette (TTRG) under Turkish Commercial Code (former Article 524) was revoked.
  - Liability on public announcement of financial statements of enterprises in the form of subsidiary, joint venture or affiliate with parent company located abroad at the same time or before the announcement by parent company was expanded cover enterprises in the form of subsidiary, joint venture or affiliate with parent company, joint venture or investing company located at home and abroad.
  - Exemptions on financial reports were amended and merged in one article.

Within this scope,

- a) Enterprises of which trading sequence is suspended for a period longer than 30 days, enterprises removed from the exchange list permanently, capital market institutions of temporarily suspended from operating, enterprises in liquidation and enterprises issuing capital market instruments other than shares without going public were exempted from the liability of issuing interim financial reports,
- b) Enterprises with shares in the List of Emerging Companies Market and enterprises with shares traded in Option Platform were exempted from the liability of issuing financial reports for interim periods of 3 and 9 months,
- c) Enterprises with shares in the List of Emerging Companies Market, enterprises with shared traded in Option Platform, asset leasing companies and investment enterprises of which capital market instruments are not traded in a stock exchange and/or other organized market places were exempted from the obligation of issuing interim financial reports.

## HALK REAL ESTATE INVESTMENT TRUST, INC

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- Unlisted publicly held companies below limits set forth in the decree of Council of Ministers on Identification of Companies Subject to Independent Audit shall not be subject to provisions of this Communiqué until they submit an application for trading their shares in stock exchange within a period of two years. These companies may issue a financial report in accordance with provisions of this Communiqué discretionally.

Communiqué Serial X, No: 28 on “Amendment of the Communiqué on Independent Audit Standards in Capital Market”, was published in Official Gazette No 28691 of 28/06/2013 and entered into force on the date of publishing.

In brief, with the amendment of the communiqué;

- Enterprises subject to independent audit and enterprises with interim financial reports subject to limited independent audit were determined in accordance with the law.
- Exemption on obligation of enterprises in the List of Emerging Companies Market to have their interim financial reports for six months undergo limited independent audit was maintained, an exemption was made for obligation of limited independent audit on six months interim financial reports of enterprises with shares traded in Option Platform.
- Requirement of obtaining an authorization from Public Oversight Authority was brought for independent audit firms and independent auditors planning to carry out independent audit operations in capital market.
- It was stipulated that independent auditors should actively participate in independent audit operations of a company which is not within the scope of the Law at least once in each year or at least two times in two years following the date of authorization by POA allowing them to take a role in independent audit operations of a company subject to the Law or capital market organizations or they should work actively for at least two years as auditor in organizations authorized to carry out independent audits in the capital market.
- It was made compulsory for independent audit firms to form a quality control committee accompanied by at least one liable partner lead auditor and issuing periodical reports for the Board in order to improve the quality of independent audit.
- For companies with shares traded in stock exchange, qualifications of members to be selected for their inspection committee were harmonized with Corporate Governance Principles.
- Regulations were made in accordance with Turkish Commercial Code No. 6102 and POA regulations in connection with selection of independent audit firms and maximum term and limitations on auditing service provided by an independent audit firm to its customer.
- It was stipulated that minimum amount of professional liability insurance independent audit firms are obliged to take out as per POA regulations should not be less than double the amount of the income generated from independent audit operations in the previous year provided that it is not less than 200.000.- TL.

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- Independent audit firms were granted an extension of time until 31.12.2013 for adaptation to new regulations stipulated under the Communiqué and independent auditors are granted an extension of time until 31.12.2014 within the framework of POA regulation; in addition, vested rights of independent auditors subject to certain conditions are protected.

Communiqué Serial VII- No: 128.2 on “Real Estate Certificates” has been amended. This communiqué entered into force upon publishing in Official Gazette No. 28698 of 05/07/2013.

With the new regulation;

- It shall be possible to issue real estate certificate by offering to the public or selling to qualified investors without offering to the public. In both cases, it is compulsory to trade real estate certificates in stock exchange. It has been made compulsory to pay minimum issue value of real estate certificates to investors who do not prefer delivery of residences or trading area (but prefer the secondary action).
- The obligation of bank loan has been revoked for the issues to be made by Housing Development Administration (TOKI), the Prime Ministry of the Republic of Turkey, General Directorate of Provincial Bank and their subsidiaries, or by the contractors for the purpose of funding the real estate projects to be constructed on the lands owned by the foregoing.
- It was made compulsory for the issuers to own the building land.
- Bank guarantee was made compulsory in public offering of real estate certificates (other than those stated under the Article 2) with the purpose of fulfilling primary and secondary undertakings. The payment of selling price of average area unit to the investors on the date of project completion which is called redeemed value is included in the scope of bank guarantee. However, in any case, this value shall not be below issue value of real estate certificates.
- Funds generated from the issuance of real estate certificates shall be transferred to issuer in proportion with the completion ratio of the project specified under construction progress reports.
- It shall be possible to issue real estate certificates representing certain independent sections of the project or certain area unit of independent sections. In the communiqué, It was made compulsory to determine at the stage of issuance the land value that may be claimed from investors during the performance of principal obligations in issuance of real estate certificates representing certain area unit of independent sections.
- This communiqué repealed the Communiqué on Principles on Registration of Real Estate Certificates with the Board (Serial: III, No:19).

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Communiqué Serial VI, No: 103.1 on the “Payment of Net Income from the Purchases and Sales by Managers to the Issuer” entered into force upon publishing in Official Gazette No. 28849 of 12.12.2013.

With the Communiqué;

- In Article 5-(1) “payment of net income to the issuer” under the communiqué, it was made compulsory for partners with the power to determine or control financial or operational policies, decisions or targets of the issuer directly or indirectly and board members, committee members of issuers, persons with administrative responsibility in the company regardless of the job title or persons authorized to control the issuer to pay their net income to issuers within 30 days as the date of earning the relevant income, in case they generate income from buying and selling transactions of the relevant capital market instruments within any period of six months. In addition, the Article 5-(2) of the Communiqué stipulates that persons failing to return net income generated as a result of transactions shorter than 6 months to issuers shall be imposed administrative fine in a double amount of the income.
- Exemptions on payments of income were specified under the Article 6 “Exemptions on Payment of Income” in the Communiqué.

Accordingly;

- a) Income generated from shares sold with the purpose of contributing to the paid capital issue,
- b) Income generated as a result of employee share ownership plans or allotment of shares to employees of the affiliate implemented in accordance with the regulations of the Board,
- c) Income generated from capital market instruments acquired by inheritance,
- d) Dividend income and coupon payments of bonds generated by keeping acquired capital market instruments in reserve without transferring or selling for a period of six months were considered within the scope of exemption.

The income generated from capital market instruments acquired before enforcement date of the communiqué were considered within the scope of exemption in provisional article of the communiqué “capital market instruments acquired before enforcement date”.

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## 3. Economic Developments

### World Economy

The economy of USA which grew by 2.5 percent in the second quarter of 2013 had declined by 4.1 percent in the third quarter of 2013. A partial recovery was experienced in real estate, property and labor markets as a result of low tax rates implemented by the government and loose monetary policy of FED; however uncertain statements on liquidity restrictions lead to high volatility activities in the second half of the year both in USA and world markets. News on September about decision made by USA on maintaining loose monetary policy in contrary to statements made on August and news on budget expenditures based on the possibility of government shutdown were met with positive reactions particularly in Turkey and developing capital markets in the world. Declaration of FED's decision on monthly reduction of 10 billion dollars on December was met with negative reactions in markets of developing countries, clarification of uncertainties in the policy relieved markets in general.

Estimated growth rates of USA were revised and announced as 1.6 percent for 2013; and 2.6 percent for 2014 in Global Economic Outlook Report issued by IMF on October 2013. These rates were revised to be 1.8 percent for 2013 and 2.8 percent for 2014 in Global Economic Prospects Report of the World Bank issued on January 2014.

The Eurozone grew by 0.3 percent in the second quarter of 2013 and by 0.1 in the third quarter of 2013. In 2013, while it was observed that Eurozone got out of recession at a slow pace, IMF had estimated a recession of 0.4 percent in Eurozone for this year in its report issued on October. A growth estimation of 1 percent was announced for the year 2014. The World Bank estimated a growth for Eurozone after a period of two tears in its Global Economic Prospects Report of January 2014. Accordingly, journey of Eurozone starting with 1.1 percent growth in 2014 shall continue with 1.5 percent growth in 2015. In addition, the report drew attention to the continuance of some risks for the region and the fact that a decline is encountered in individual per capita in some countries.

The report of the World Bank projected a global growth of 3.2 percent for 2014 which was 2.4 percent in the last year; it was also stated that growth figures for 2015 and 2016 are expected to be stabilized at around 3.4 percent and 3.5 percent, respectively.

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## Turkish Economy

Turkish economy grew by 4.5 percent in the second quarter of 2013, and achieved a growth of 4.4 percent by the third quarter. The growth in construction and financial intermediary firms drew attention in total economy. The construction industry grew by 8.7 percent and financial intermediation firms grew by 11 percent in the 3<sup>rd</sup> quarter.

The growth forecast of 3.4 percent was revised as 3.8 percent for Turkey for 2013 and growth forecast was announced as 3.5 percent for the next year in Global Economic Outlook Report issued by IMF on October. The World Bank projected an approximate growth of 3.6 percent for Turkey for the year 2013 and it was stated that a growth trend of 4.5 percent shall be observed in 2014 and 4.7 percent in 2015 in Global Economic Prospects Report of January 2014.

The number of unemployed persons increased by 202 thousand persons, and reached 2 million 743 thousand persons by October in 2013 compared to the previous year. The unemployment rate showed an increase of 0.6 percent, and reached up to 9.7 percent level.

<b>Employment Indicators</b>	<b>2013 October</b>	<b>2012 October</b>
Number of Unemployed	2.743.000	2.541.000
Unemployment Rate	9.7%	9.1%

The CPI increased by 7.40 percent in December 2013 when compared with the same month in the previous year. PPI increased to 6.97 percent on December when compared with the same month of the previous year.

<b>Inflation Indicators (Annual)</b>	<b>December 2013</b>	<b>December 2012</b>
CPI	7.40%	6.16%
PPI	6.97%	2.45%

The foreign trade deficit declined by 0.6 and declined from 7.195 million dollars to 7.151 million dollars on November. In November 2013, exports coverage imports was 66,6, while it was 65,7% in November 2012.

The amount of total domestic credit in economy increased to 1.064.711 million TL by December 2013.

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## Industrial Developments

The growth in construction industry was 7.6 percent in the second quarter of the year 2013, it increased to 8.7 percent in the third quarter of the same year. The industry has maintained its position among leading field of industries of the economy with the current growth rates.

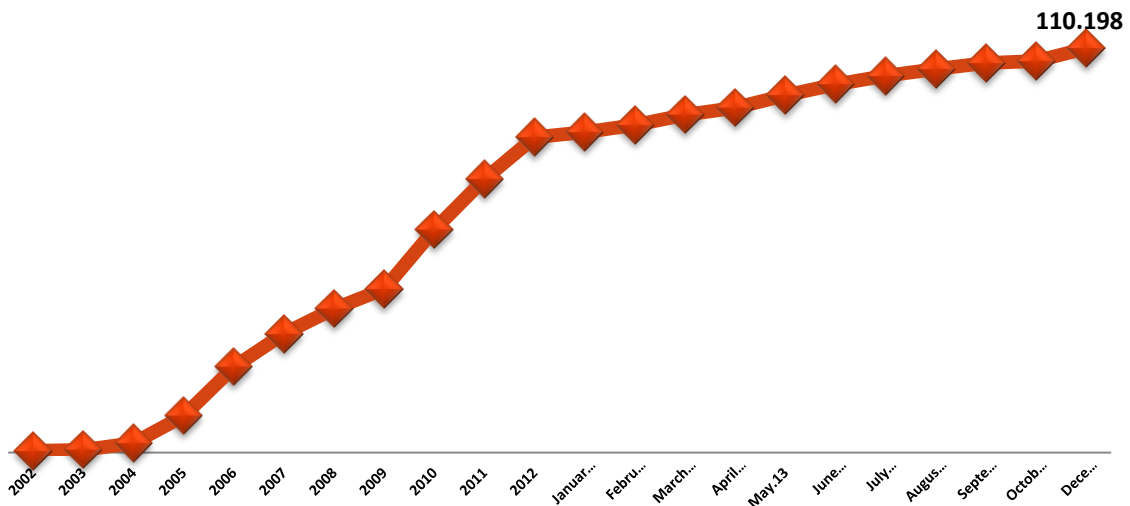
Turnover Index in Construction Index increased by 16.4 percent and Production Index in Construction Index increased by 8.2 percent in the third quarter of the year 2013 when compared with the same quarter of the previous year.

The floor area of the buildings for which Construction Permits were granted increased by 9.3 percent during the first nine months of 2013 when compared with the previous year. Floor area of buildings for which Construction Permits were granted was 120 million m<sup>2</sup>; 69 million m<sup>2</sup> of this floor area (58.3 percent) was intended to be residential, 30 million m<sup>2</sup> (25.5 percent) was non-residential buildings and 19 million m<sup>2</sup> (16.2 percent) was shared area.

Monthly Mortgage Loan Interest Rate was approx. 0,89 percent in December 2013.

Total amount of mortgage loans increased to 110.198 million TL by the end of December 2013 and its share in total loans increased to 10.35 percent.

### MORTGAGE LOAN TREND (billion TL)





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Considering the residential sales, 282.835 residences were passed into other hands in the third quarter of the year 2013 as a result of selling. Istanbul had the highest share in residential sales with the sales of 58.318 residences (20.6 percent). Based on sales figures of the residences, Ankara followed Istanbul with the sales of 31.875 residences (11.2 percent), Izmir with the sales of 17.316 residences (6.1 percent). The lowest sales figure was realized in Ardahan with 45 sales in the same quarter.

Turkish Residential Price Index was 143.25 by October 2013. Unit prices calculated as residential value per square meter was 1.140, 21 TL/ m<sup>2</sup> on October 2012, it reflected as 1.281,19 TL/ m<sup>2</sup> on October 2013.

Unit price was 2.080,07 TL/ m<sup>2</sup> in Istanbul, 1.168, 18 TL/ m<sup>2</sup> in Ankara and 1.420,32 TL/ m<sup>2</sup> in Izmir in October 2013.

The growth in construction industry accelerated with the increased demand for residential and non-residential buildings in 2013 affected REIT industry responsive to economic growth in a positive way. Particularly increased demand for residential projects for middle and high income groups provided substantial contribution for growth rate of the industry.



### 1. Work Related to Portfolio

The land owned by Odunpazari Municipality within an area of 326,81 m<sup>2</sup> registered in the Province of Eskisehir, District of Odunpazari under Block No. 1452 and Parcel No. 110 at the land registry was bought at a price valued at TL 655.000 + VAT as determined by the Municipal Appraisal Commission in accordance with the resolution made by our Board of Directors at the meeting held on February 18, 2013, and the deed transfer transactions were completed on March 22, 2013 and the full ownership of the land was lapsed to our Company.

The construction permit was obtained for the residential + commercial project to be developed by our Company at the District of Odunpazari, Province of Eskisehir on April 22, 2013. For the project to be developed on the land within a gross area of 9.811,01 m<sup>2</sup> located in Odunpazari, which is the developing district in the province of Eskisehir, a total indoor area of 27.318 m<sup>2</sup> will be constructed including the units with commercial function within a total area of 2.247,12 m<sup>2</sup>. In the project which includes a 19-floor residential block as well as a horizontal block consisting of residential and commercial units and 1 shopping mall block, it is aimed to create social facility areas and a center of attraction. The process of choosing the "main contractor company" for the project was completed on October 11, 2013. It was decided by our Board of Directors on working with Ilgazlar Insaat Tic. San. A.S., which gave the lowest and the most appropriate bid for the tender, in the relevant project, and in this respect, the "Contract for Main Contractor Works" have been executed by the persons authorized to represent the parties. The project was launched on November 22, 2013 and sales were started.

The processes for choosing the relevant architectural design company and project management company for the project which includes two towers, one of which is 46-floor and the other is 34-floor, and three 8-floor buildings that are planned to be developed on the land of our Company located within the area of Istanbul Finance Center have been completed within the period. It was decided to work with SEYAS Sey Mimarlik Muhendislik Musavirlik A.S. as the architectural design company in the project. With a global experience in high-buildings, AECOM Ltd. will be involved in the project as the Foreign Designed and Contract Guarantor. In this respect, the "Contract for Design Services" has been executed by the persons authorized to the parties on April 24, 2013. Having executed the contract for service with Proje Yonetim A.S. as the project management company on August 5, 2013, our company has accelerated their works under the project.

Our company decided on executing a contract on May 16, 2013 with K Yapı Gayrimenkul Ins. Dis Tic. A.S. for the construction works of the Project of Sekerpinar Operation Center included in the portfolio and the construction permit was obtained on

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August 29, 2013 for the 1st part of the project planned to be constructed on their land within an area of 15.652 m<sup>2</sup>. The relevant project will be constructed under the 2nd part and the area of construction to be performed in the 1st part for which the construction permit was obtained will be 9.131 m<sup>2</sup>

The process of choosing the “main contractor company” in connection with our “Dedeman Park Levent” hotel project which was included in the Company’s portfolio, and developed on the land located in Levent, and for which the first construction permit was obtained in January was also completed. Our Board of Directors decided on working with Haldiz Insaat Otomotiv ve Ticaret Limited Sirketi in the relevant project, and in this respect, the “Contract for Main Contractor Works” has been executed by the persons authorized to represent the parties on August 14, 2013. The Amendment Permit which was obtained in accordance with the amendment to the Building Bylaw in the project was also approved by the concerned authorities on November 26, 2013.

In the project of Referans Bakirkoy for which the first construction permit was obtained on May 31, 2013 and of which the construction is still continued, the project has been revised so that the total number of residences which was 256 will be 254 and the total number of commercial units which was 70 will be 73, and the Amendment Permit which was obtained in accordance with the revisions was approved by the concerned authorities on September 19, 2013.

The 1st, 2nd, 3rd, 4th, 5th and 8th floors which was determined to be leasable area in our “Salipazari” building which is included in our Company’s portfolio and registered in the District of Beyoglu, Province of Istanbul with the Block No. 57 and Parcel No. 14 were leased out to Turkiye Halk Bankasi A.S. for a period of 5 years in accordance with the contract executed on November 18, 2013. The contract has been executed so as to enter into force on October 1, 2013, and we will earn a monthly income valued at TL 149.000 + VAT from our leased out real estate. The rentals for new period will be determined each year on the basis of arithmetic mean of the Producer Price Index (PPI) and Consumer Price Index (CPI) rates which are issued in October each year.

Izmir Karsiyaka Building of our Company was sold out at a price valued at TL 18.000.000 + VAT as a result of the tender performed on November 28, 2013. The sale transactions were completed on December 3, 2013, and with this sale, a sales profit was made at an amount valued at approx. TL 9 million compared to its book value at TL 8.425.000 as indicated in its relevant records of the real estate kept in accordance with the UFRS.

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## **2. General Assembly, Capital Increase and Articles of Association**

The Ordinary General Assembly Meeting for 2012 was held at the head office of our company on April 10, 2013 in accordance with the resolution made on the meeting of the Board of Directors held on March 15, 2013.

The draft amendment concerning the amendment of the Articles 3, 7, 8, 13, 15, 17, 18, 20, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, and 35 as well as the cancellation of the Articles of 21, 22, 34, and 35 and Temporary Articles 1, 2, and 3 of the Articles of Association of the company for which the necessary permissions were obtained in accordance with the letter No. 2866 of 21.03.2013 by the Capital Market Board and the letter No. 2206 of 26.03.2012 by the General Directorate of Domestic Trade, the Ministry of Customs and Trade of the Republic of Turkey, and the resolution on capital increase by bonus issue for the shares with a nominal value at TL11.138.704 to be issued because the issued capital of our Company was increased from TL 662.500.000 to TL 673.638.704, provided that it will remain within the limits of the issued capital ceiling of our Company valued at TL 1.500.0000.000 as approved with the resolution no. 21/674 of 14.06.2013 made by the Capital Market Board and the whole will be covered by the profit for 2012 under the relevant agenda of the General Assembly.

New capital was also registered by Istanbul Trade Registry Office on 17.07.2013 within the period.

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## 3. Transactions performed with the Related Parties

### Due from / to related parties

	31 December 2013	31 December 2012
<b><i>Banks-Demand deposits</i></b>		
Halkbank	6,265	34,701
<b><i>Banks-Time deposits</i></b>		
Halkbank	70,839,906	6,382,257
<b><i>Banks-Other liquid assets</i></b>		
Halkbank	67,960	60,510
<b><i>Bank Bond-Financial Investments</i></b>		
Halkbank	67,321,529	
<b>Total</b>	<b>138,235,660</b>	<b>6,477,468</b>
<b><i>Prepaid expenses</i></b>		
T.Halk Bankası Spor Kulübü	289,835	290,411
Halk Sigorta AŞ	119,053	106,385
Halk Hayat ve Emeklilik AŞ	2,729	1,899
Halk Yatırım Menkul Değerler AŞ	--	412,500
<b><i>Other current assets</i></b>		
Halk Yatırım Menkul Değerler AŞ	359	--
<b>Total</b>	<b>411,976</b>	<b>811,195</b>
<b><i>Financial borrowings</i></b>		
Halkbank –short term	3,325,159	21,081,080
Halkbank –long term	15,212,501	73,121,272
<b>Total</b>	<b>18,537,660</b>	<b>94,202,352</b>
<b><i>Due to related parties</i></b>		
Halk Sigorta AŞ	100,383	69,750
Halk Yatırım Menkul Değerler AŞ	5,900	29,500
Halk Portföy Yönetimi AŞ	11,593	--
<b>Total</b>	<b>117,876</b>	<b>99,250</b>
<b><i>Short term deferred income</i></b>		
Halkbank	11,153,400	11,153,400
<b>Total</b>	<b>11,153,400</b>	<b>11,153,400</b>
<b><i>Long term deferred income</i></b>		
Halkbank	2,788,350	13,941,750
<b>Total</b>	<b>2,788,350</b>	<b>13,941,750</b>

# HALK REAL ESTATE INVESTMENT TRUST, INC

## Income and Expenses from Related Parties

	1 January – 31 December 2013	1 January – 31 December 2012
<b>Rent income</b>		
Halkbank	26,317,524	23,003,406
Halk Faktoring A.Ş.	640,086	234,000
Halk Yatırım Menkul Değerler AŞ	178,318	186,602
Emekli Sandığı	85,374	78,957
Halk Sigorta AŞ	73,853	87,317
Halk Hayat ve Emeklilik AŞ	73,853	52,629
<b>Total</b>	<b>27,369,008</b>	<b>23,642,911</b>
<b>Interest income</b>		
Halkbank Time Deposit Interest Income	7,746,041	1,590,219
Halkbank Financial Investment Interest Income	1,271,025	--
Halk Yatırım	--	16,103
<b>Total</b>	<b>9,017,066</b>	<b>1,606,322</b>
<b>Interest expense</b>		
Halkbank	(4,182,463)	(7,996,876)
<b>Total</b>	<b>(4,182,463)</b>	<b>(7,996,876)</b>
<b>Commission expense</b>		
Halk Portföy Yönetimi AŞ	(113,987)	(13,867)
<b>Total</b>	<b>(113,987)</b>	<b>(13,867)</b>
<b>Other expenses</b>		
T.Halk Bankası Spor Kulübü	(500,576)	(209,589)
Halk Sigorta AŞ	(148,716)	(96,722)
Halk Hayat ve Emeklilik AŞ	(13,156)	(35,865)
Halkbank	(17,205)	(364)
Halk Yatırım Menkul Değerler AŞ	(32,500)	--
<b>Total</b>	<b>(712,153)</b>	<b>(342,540)</b>

# HALK REAL ESTATE INVESTMENT TRUST, INC

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## Affiliation Report

### Statement on the Transactions with Related Parties

The transactions performed with the main partner Turkiye Halk Bankasi A.S. and group companies as well as other Related Parties are the ordinary transactions conducted under their businesses, and the transactions to which we are a party primarily include the followings:

- Our leasing operations and the income, expense and receivables calculation within this scope,
- Credit use, mortgage and guarantee transactions within the scope of maintaining the business operations,
- Services and banking services received within the scope of insurance and business administration operations;
- Other good and service purchases.

Our rental income received in 2013 from the related parties within the scope of our leasing operations which have an important place within the field of activity of our company is valued at TL 27.283.634. We have had cash and cash equivalents valued at TL 70.914.131 as well as Financial Investment valued at TL 67.321.216 in our bank accounts at Turkiye Halk Bankasi A.S. as of the end of December 31, 2013. Our company has a financial debt valued at TL18.537.660 because of the credit used from Turkiye Halk Bankasi A.S. as of the end of the reporting period of our Company. In this respect, more details descriptions related to the transactions performed by our Company with the related parties in 2013 are provided in the footnote no. 3 titled "Statements on Related Parties" concerning the financial statements included in the content of our annual report.

*In the conclusion part of the Affiliate Report drawn up in accordance with the Article 199 of Turkish Commercial Code No. 6102 that has entered into force on July 1, 2012, it is stated: "All the transactions performed in 2013 between our Company, its main partner Turkiye Halk Bankasi A.S. and the group companies are all the ordinary transactions as required by our business operations, and they have been performed at arm's length. In this sense, a counter action was provided suitable for performance of each transaction, at the time when the relevant transaction is performed. Therefore, it is concluded that there is not any action that may cause loss to the Company, have been taken or avoided being taken."*



# HALK REAL ESTATE INVESTMENT TRUST, INC

## FINANCIAL PERFORMANCE

<b>Income Statement Data (TL)</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
<b>Sales Revenue</b>	<b>58.513.850</b>	<b>26.806.641</b>
Cost of Sales	(12.023.516)	(2.052.973)
<b>Gross Profit</b>	<b>46.490.334</b>	<b>24.753.668</b>
Overhead Expenses	(9.753.600)	(4.706.869)
Principal Operating Income/(Expenses)	(1.041.466)	15.776
<b>Operating Profit</b>	<b>35.695.268</b>	<b>20.062.575</b>
Financial Expenses	(4.184.441)	(7.996.876)
<b>Profit for the Year</b>	<b>31.510.827</b>	<b>12.065.699</b>

<b>Profitability</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Net Profitability	% 59	% 45
Return on Average Assets	% 3,72	% 1,84
Return on Average Equity	% 4,32	% 2,35

<b>Financial Statement Data (TL)</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Assets	890.131.894	679.034.048
Shareholders' Equity	769.176.013	521.316.710
Financial Liability	18.537.660	94.202.352

<b>Basic Ratios</b>	<b>31.12.2013</b>	<b>31.12.2012</b>
Financial Liability / Shareholders' Equity	% 2,40	% 18,00
Shareholders' Equity / Total Assets	% 86,40	% 76,70

# HALK REAL ESTATE INVESTMENT TRUST, INC

## DETAILS OF THE ASSETS AND RIGHTS IN THE PORTFOLIO

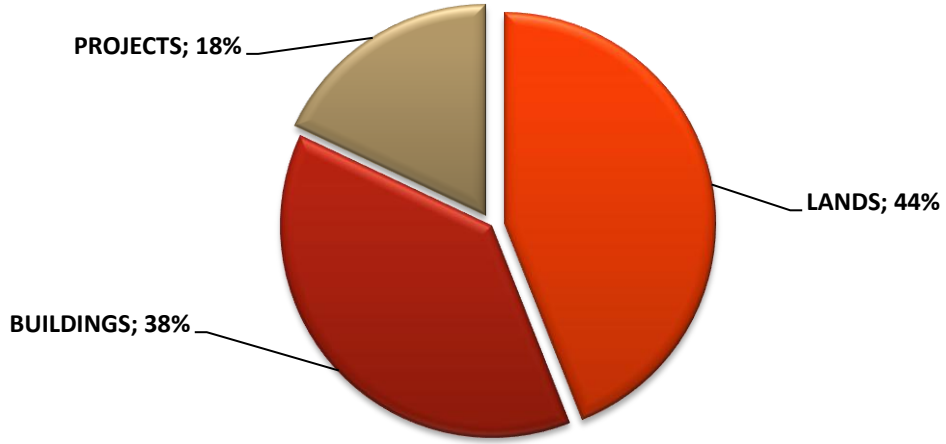
### 1. Real Estate Statement (As of 31.12.2013)

REAL ESTATES	Acquisition Date	Book Value at the end of 2013 (TL)	Date of the Last Appraiser's Report	Appraisal Value at the end of 2013 (TL)
<b>Lands</b>				
İstanbul Ataşehir Land	28.10.2010	239.427.053	25.12.13	517.170.060
<b>Total</b>				<b>517.170.060</b>
<b>PROJECTS</b>				
Eskişehir Residential Project*	24.01.2012	13.203.845	25.11.13	44.364.815
Kocaeli Operation Center Project	11.09.2012	12.331.697	10.10.13	14.869.400
Referans Bakırköy Residential Project*	09.09.2011	31.765.625	06.11.13	90.500.000
Levent Hotel Project	28.10.2010	38.045.288	25.12.13	60.460.620
<b>Total</b>				<b>210.194.835</b>
<b>BUILDINGS</b>				
İstanbul, Ataşehir Finance Center	29.12.2011	126.548.795	23.12.13	166.230.000
İstanbul Salıpazarı Building	28.10.2010	22.000.000	01.10.13	39.530.000
İstanbul Karaköy Building	28.10.2010	23.500.000	23.12.13	26.600.000
İstanbul Bakırköy Building	28.10.2010	9.023.500	23.12.13	17.820.000
Ankara Kızılay Building	28.10.2010	12.475.237	25.12.13	16.497.936
İstanbul Beyoğlu Building	28.10.2010	12.000.000	23.12.13	17.000.000
İzmir, Konak Building 1	28.10.2010	13.400.000	23.12.13	16.845.000
İstanbul Beşiktaş Building	28.10.2010	11.893.840	23.12.13	14.000.000
İstanbul Etiler Building	28.10.2010	11.000.000	23.12.13	13.500.000
İstanbul Şişli Building	28.10.2010	11.000.000	23.12.13	12.500.000
Ankara Yenışehir Building	28.10.2010	9.541.729	25.12.13	12.673.000
İzmir Konak Building 2	28.10.2010	10.290.000	01.10.13	12.000.000
Bursa Building	28.10.2010	8.500.000	23.12.13	9.510.000
İstanbul Ataköy Building	28.10.2010	5.061.500	23.12.13	9.500.000
Ankara Bahçelievler Building 1	28.10.2010	6.681.356	25.12.13	8.778.000
İstanbul Fatih Building	28.10.2010	6.380.000	23.12.13	8.380.000
Kocaeli Building	28.10.2010	6.519.193	25.12.13	8.215.000
Sakarya Adapazarı Building	28.10.2010	5.960.000	25.12.13	7.593.300
Ankara Bahçelievler Building 2	28.10.2010	5.684.746	25.12.13	7.400.000
İstanbul Caddestaban Building	28.10.2010	6.300.000	25.12.13	6.880.000
İstanbul Nişantaşı Building	28.10.2010	5.000.000	23.12.13	6.920.000
<b>Total</b>				<b>438.372.236</b>
<b>TOTAL REAL ESTATE VALUE</b>				<b>1.165.737.131</b>

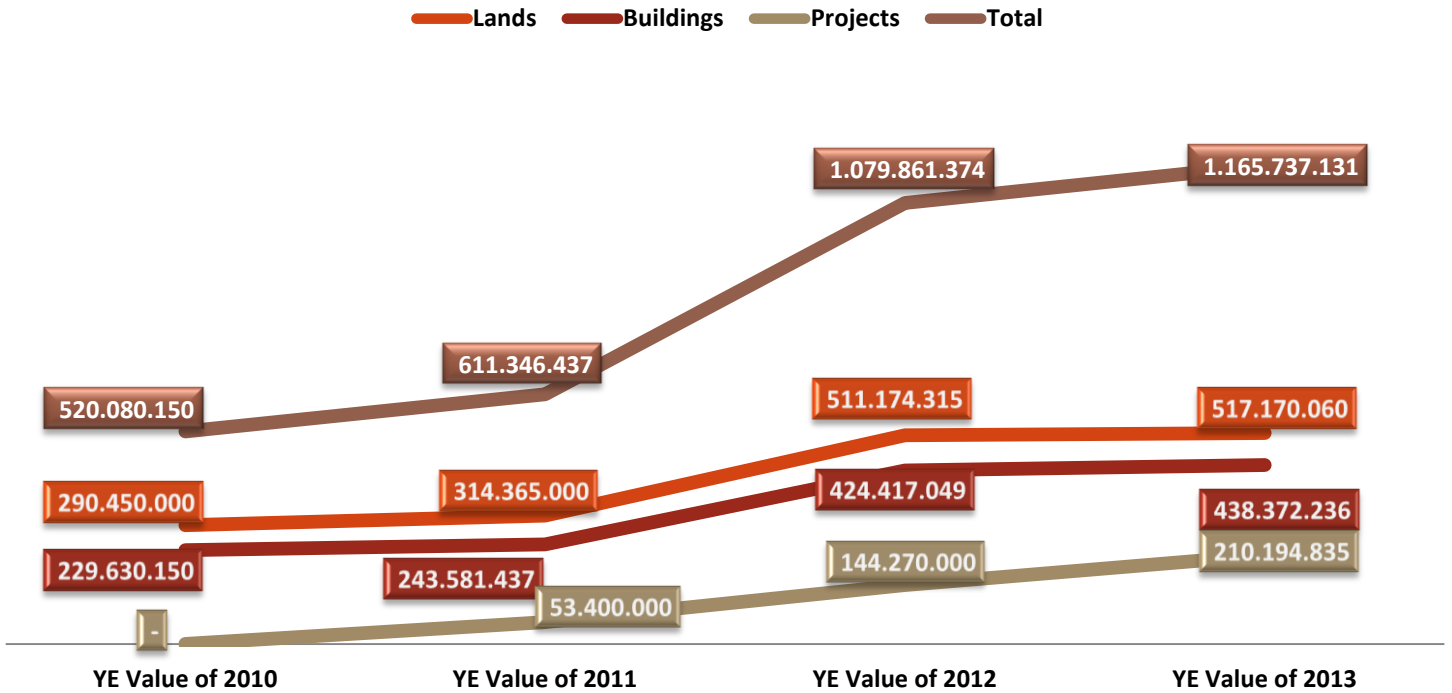
- Eskişehir and Bakirkoy projects are followed up at the stocks account.

# HALK REAL ESTATE INVESTMENT TRUST, INC

## Real Estate Distribution



## Appraised Values of the Real Estate (TL)



# HALK REAL ESTATE INVESTMENT TRUST, INC

## 2. Details of Leased Real Estates

Summary statement on the real estate investments from which our Company earns rental income is provided below:

REAL ESTATE WITH RENTAL INCOME	LEASED BY	INTENDED USE	RENTAL PERIOD	Total Rental Price for 12 Months (TL)
Ataşehir Finance Center	Halk Bankası	Head Office	01.04.2012-31.03.2016	11.153.400
İstanbul Salıhpazarı Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	1.440.624
	Eco Trade Bank	Head Office	01.12.2010-30.11.2015	
İstanbul Karaköy Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	1.765.522
	Halk Faktoring	Head Office	01.06.2012-31.05.2017	
	Halk Faktoring	Head Office	01.11.2012-30.10.2013	
İstanbul Bakırköy Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	1.055.097
Ankara Kızılay Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	1.138.660
	Halk Yatırım Menkul Değerler		01.11.2012-01.11.2013	
İstanbul Beyoğlu Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	1.140.009
	Hazine Müsteşarlığı		01.12.2012-30.11.2013	
İzmir, Konak Building 1	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	1.069.165
İstanbul Beşiktaş Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	985.723
	Emekli Sandığı Vakfı		01.11.2012-31.10.2013	
İstanbul Etiler Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	844.077
İstanbul Şişli Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	844.077
Ankara Başkent Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	907.428
	Ceda Akaryakıt İnşaat Emlak Turizm Ltd Şti	Hotel	01.05.2012-01.05.2017	
İzmir Konak Building 2	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	837.254
	Halk Yatırım Menkul Değerler		01.11.2012-01.11.2013	
	Halk Hayat ve Emeklilik		01.04.2012-31.03.2013	
	Halk Sigorta		01.11.2012-01.11.2013	
İzmir Karşıyaka Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	560.060
Bursa Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	661.194
İstanbul Ataköy Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	604.922
Bahçelievler Building 1	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	576.786
İstanbul Fatih Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	464.243
Kocaeli Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	703.398
Sakarya Adapazarı Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	634.409
Bahçelievler Building 2	Koton Mağazacılık	Store	01.12.2010-30.11.2020	537.088
Caddebostan Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	492.378
İstanbul Nişantaşı Building	Halk Bankası	Bank Brunch	01.11.2010-01.11.2015	422.039
İstanbul Levent Land	Bro Reklamcılık	Advertising	01.06.2013-30.05.2015	116.666
<b>Total</b>				<b>28.954.214</b>

# HALK REAL ESTATE INVESTMENT TRUST, INC

## 3- Our Company Affiliates and Subsidiaries

Our company does not have any affiliates and subsidiaries as of December 31, 2013.

## 4- Monetary and Capital Market Instruments

	31 December 2013	31 December 2012
Banks-Demand deposits	6,465	34,701
Banks-Time deposits	70,839,906	6,382,257
Reverse repo	1,255,000	--
Other liquid assets*	67,960	60,510
<b>Cash and cash equivalents in the statement of financial position</b>	<b>72,169,331</b>	<b>6,477,468</b>
Interest income accruals on cash equivalents	(266,808)	(806)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>71,902,523</b>	<b>6,476,662</b>

(\*)<sup>(As at 31 December 2013 and 31 December 2012, other liquid assets consist of credit card receivables from sales of residential unit of Bakırköy Project</sup>

	Cost	Carrying amount	Maturity	Interest rate (%)
<b>31 December 2013</b>				
<i>Short term financial investments</i>				
<i>Available for sale financial assets</i>				
Government Bonds	15,999,851	15,875,755	5 March 2014	7.40%
Government Bonds	1,416,795	1,467,555	9 April 2014	8.54%
Government Bonds	1,519,740	1,507,479	24 September 2014	8.72%
Government Bonds	5,741,280	5,791,423	1 October 2014	8.30%
<b>Total</b>	<b>24,677,666</b>	<b>24,642,212</b>		
<i>Financial assets at fair value through profit and loss</i>				
Government Bonds	6,575,500	6,532,736	24 September 2014	7.50%
Government Bonds	4,511,646	4,500,321	7 January 2015	6.50%
Share Certificates	1,273,830	988,873	--	--
<b>Total</b>	<b>12,360,976</b>	<b>12,021,930</b>		
<i>Held to Maturity Financial Asset</i>				
Bank Bond	67,321,216	67,321,529	20 June 2014	9.58%
Bank Bond	200,000	202,340	2 May 2014	8.34%
<b>Total</b>	<b>67,521,216</b>	<b>67,523,869</b>		
<b>Total short term financial investment</b>	<b>104,559,858</b>	<b>104,188,011</b>		
<b>Total financial investments</b>	<b>104,559,858</b>	<b>104,188,011</b>		

# HALK REAL ESTATE INVESTMENT TRUST, INC

## 5- Planned and Ongoing Projects

### Istanbul International Finance Center Project



<b>Province</b>	:	İstanbul
<b>District</b>	:	Ataşehir
<b>Gross Area</b>	:	28.732 m <sup>2</sup>
<b>2013 Book Value</b>	:	239,4 Million TL
<b>2013 Last Appraisal Value</b>	:	2013 / 517,1 Million TL

The land is registered under Block No. 3328, Parcel No. 4 and Block No. 3328, Parcel No. 11 after subdivision on 25th December 2012 with its former Block No. 3323, Parcel No. 3 and Roll No. 34454. The parcels have 16.337 square meter and 12.395 square meter areas, respectively, and a total construction area of 440.444 square meters.

Our company is intended to construct two towers including a 46-floor-and a 34-floor building, and three 8-floor buildings on our land under the project as of the largest shareholders of the project of Istanbul International Finance Center (IFM) carried out in coordination with the Ministry of Environment and Urban Planning. It is aimed that our office towers to be designed in accordance with Class A high-standards will meet the world-class high-quality office requirements in Istanbul.

A “Memorandum of Understanding and Protocol” has been executed between the Ministry of Environment and Urban Planning and our Company, which includes the considerations related to the implementation stage of the Finance Center project. The project will get together all the public banks based in Ankara including Halkbank, Vakifbank and Ziraat Bank and such authorities as Banking Regulation and Supervision Agency (BRSA) and Capital Markets Board of Turkey (CMB) at a single center.

When the IFM project for which the architectural design works are still continued and is supported by green zones, and where almost no cars will be located on the ground level and the car parks are located at the basement floors is completed, it will provide employment for 50 thousand people and turn out to be a 24/7 active center with its capacity of 25 thousand visitors and a population of 11 thousand people.

The processes of selecting the architectural design and project management companies for the project had been completed within the period between January and December 2013.

# HALK REAL ESTATE INVESTMENT TRUST, INC

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## Dedeman Park Levent Hotel Project



<b>Province</b>	:	İstanbul
<b>District</b>	:	Şişli Levent
<b>Gross Area</b>	:	2.791 m <sup>2</sup>
<b>2013 Book Value</b>	:	38,0 Million TL
<b>2013 Last Appraisal Value</b>	:	2013 / 60,4 Million TL

Our project which has been started to be constructed on Levent land involved in our company's portfolio is the first investment made by our Company within the tourism industry. To be one of the most beautiful models of the urban hotels with its architectural design and location, the building is aimed to meet the business hotel requirements on Mecidiyekoy – Maslak line. A contract has been concluded concerning leasing the hotel building to Dedeman Hotels & Resorts International for 10 years after the completion of the project.

Aspired to be an environmentally-friendly structure, Dedeman Park Levent is a candidate LEED (Leadership in Energy and Environmental Design) certificate holder.

The process of selecting the contractor company for the project had been completed, and the amendment permit had been obtained for compliance purposes to the existing amendments to the regulations within the period between January and December 2013.

# HALK REAL ESTATE INVESTMENT TRUST, INC

## Referans Bakirkoy Project



<b>Province</b>	:	İstanbul
<b>District</b>	:	Bakırköy
<b>Gross Area</b>	:	13.073 m <sup>2</sup>
<b>2013 Book Value</b>	:	31.7 Million TL
<b>2013 Last Appraisal Value</b>	:	90.5 Million TL
<b>Contractor</b>	:	Biskon Yapı A.Ş.

The project titled “Referans Bakirkoy” has been started on the basis of the method of Revenue Sharing in Consideration for Land Sales with the Biskon Yapı Ortaklığı, as one of the affiliates of Kiler Holding, on the lands registered under the Block No. 1224, Parcel No. 2 and Block No. 1224, Parcel No. 1 in the Quarter of Osmaniye, District of Bakirkoy, Province of Istanbul which are contained in the Company’s portfolio.

For the project having been raised in Bakirkoy which is the most prestigious districts of Istanbul, the amendment permit was obtained and the number of residences which was 256 was revised to be 254, and the number of commercial units which was 70 was revised to be 73 within the relevant period.

A total sales amount valued at TL 117 million had been realized until December 31, 2013.



# HALK REAL ESTATE INVESTMENT TRUST, INC

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## Eskisehir “Panorama Plus” Project



<b>Province</b>	:	Eskişehir
<b>District</b>	:	Odunpazarı
<b>Gross Area</b>	:	9.811 m <sup>2</sup>
<b>2013 Book Value</b>	:	13,2 Million TL
<b>2013 Last Appraisal Value</b>	:	2013 / 44.3 Million TL

For the project to be implemented on our land within a total area of 9.811 m<sup>2</sup> located in the District of Odunpazarı, Province of Eskişehir and contained in our Company's portfolio, the total area of construction will be 27.318 m<sup>2</sup> including a total area of 2.247,12 m<sup>2</sup> for the units with commercial function.

In the project which includes a 19-floor residential block as well as a horizontal block consisting of residential and commercial units and 1 shopping mall block, it is aimed to create social facility areas and a center of attraction.

With the construction permit having been obtained and the main contractor company having been selected within the period, our project was launched on November 22, and the sales of residences were started.

# HALK REAL ESTATE INVESTMENT TRUST, INC

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## Kocaeli Sekerpinar Project



<b>Province</b>	:	Kocaeli
<b>District</b>	:	Şekerpınar
<b>Gross Area</b>	:	15.652 m <sup>2</sup>
<b>2013 Book Value</b>	:	12,3 Milyon TL
<b>2013 Last Appraisal Value</b>	:	2013 / 14.8 Milyon TL

The bank operations center which was included in our Company's portfolio in September, 2012 and will be constructed on our land within an area of 15.652 m<sup>2</sup> located in Sekerpinar, Kocaeli will have all the common areas and infrastructure that can technologically meet all the requirements of a bank.

The center will be constructed as a complex which includes storage, call center, data center and training units as well as a boarding house and social facilities, and the project is intended to be turnkey leased. With its construction tender process having been completed within the period, the construction permit was obtained for the 1 part of the project to be constructed within an area of 9.131 m<sup>2</sup>, and its foundation was laid

# HALK REAL ESTATE INVESTMENT TRUST, INC

## 6. Details of Portfolio Restrictions

	Financial Statement Primary Accounts Items	Regulations	31 December 2013 (TL)	31 December 2012 (TL)
A	Monetary and Capital Market Instruments	Serial: III-48.1, Article 24/(b)	176,357,342	6,630,802
B	Real estates, based on Real Estates, Rights based on Real Estates	Serial: III-48.1, Article 24/(a)	660,714,993	643,766,003
C	Subsidiaries	Serial: III-48.1, Article 24/(b)	--	--
	Due from related parties (non-trade)	Serial: III-48.1, Article 23/(f)	--	--
	Other assets		53,059,559	28,637,243
D	Total Assets	Serial: III-48.1, Article 3/(k)	890,131,894	679,034,048
E	Loans and borrowings	Serial: III-48.1, Article 31	18,537,660	94,202,352
F	Other financial liabilities	Serial: III-48.1, Article 31	--	--
G	Financial leasing obligation	Serial: III-48.1, Article 31	--	--
H	Due to related parties (non-trade)	Serial: III-48.1, Article 23/(f)	--	--
I	Equity	Serial: III-48.1, Article 31	769,176,013	520,472,644
	Other liabilities		102,418,221	64,359,052
D	Total liabilities and equity	Serial: III-48.1, Article 3/(k)	890,131,894	679,034,048
	Other Financial Information	Regulations	31 December 2013 (TL)	31 December 2012 (TL)
A1	Financial Markets Instruments held for three years payment of Real Estates	Serial: III-48.1, Article 24/(b)	--	--
A2	Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article 24/(d)	70,846,371	6,477,468
A3	Foreign Capital Market Instruments	Serial: III-48.1, Article 24/(d)	--	--
B1	Foreign Real Estates, Projects, based on Real Estates	Serial: III-48.1, Article 24/(d)	--	--
B2	Idle land	Serial: III-48.1, Article 24/(c)	--	--
C1	Foreign Subsidiaries (Operating Companies)	Serial: III-48.1, Article 24/(d)	--	--
C2	Subsidiaries (Operating Companies)	Serial: III-48.1, Article 28	--	--
J	Non-cash loans	Serial: III-48.1, Article 31	--	--
K	Mortgage Amounts on Land that Project to be Developed and the Ownership Does Not Belong the Partnership	Serial: III-48.1, Article 22/(e)	--	--

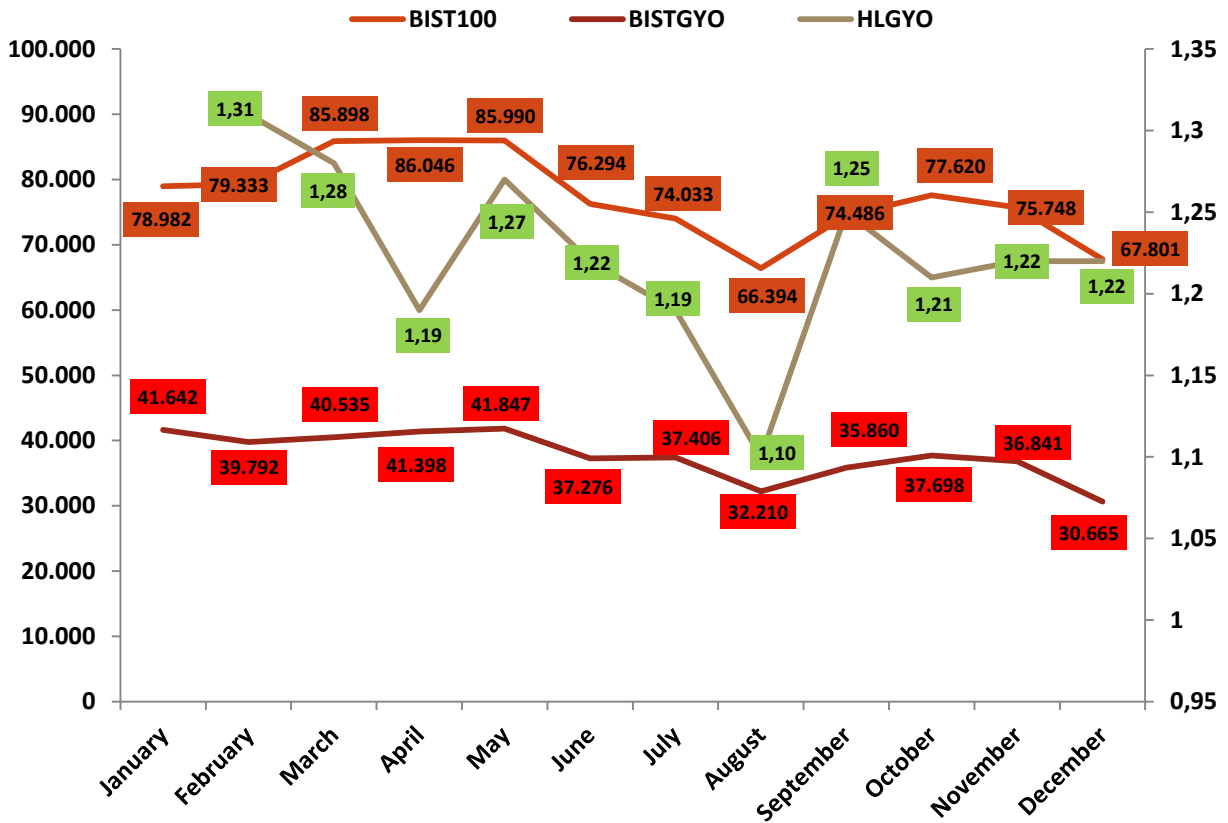
  

	Portfolio Restrictions	Regulations	Calculation	Min./Max. Rate	31 December 2013 (TL)	31 December 2012 (TL)
	Mortgage Amounts on Land that Project to be Developed and the Ownership Does Not Belong the Partnership	Serial: III-48.1, Article 22/(e)	K/D	Maximum % 10	--	--
	Real estates, based on Real Estates, Rights based on Real Estates	Serial: III-48.1, Article 24/(a),(b)	(B+A1)/D	Minimum % 51	74.23%	94.92%
	Monetary and Capital Market Instruments	Serial: III-48.1, Article 24/(b)	(A+C-A1)/D	Maximum % 49	19.81%	0.98%
	Foreign Real Estates, Projects, based on Real Estates, Subsidiaries	Serial: III-48.1, Article 24/(d)	(A3+B1+C1)/D	Minimum % 49	--	--
5	Idle Land	Serial: III-48.1, Article 27/(c)	B2/D	Maximum % 20	--	--
6	Subsidiaries (Operating Companies)	Serial: III-48.1, Article 28	C2/D	Maximum % 10	--	--
7	Borrowing Limit	Serial: III-48.1, Article 31	(E+F+G+H+J)/I	Maximum % 500	2.41%	18.10%
8	Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article 22/(e)	(A2-A1)/D	Maximum % 10	7.96%	0.96%

# HALK REAL ESTATE INVESTMENT TRUST, INC

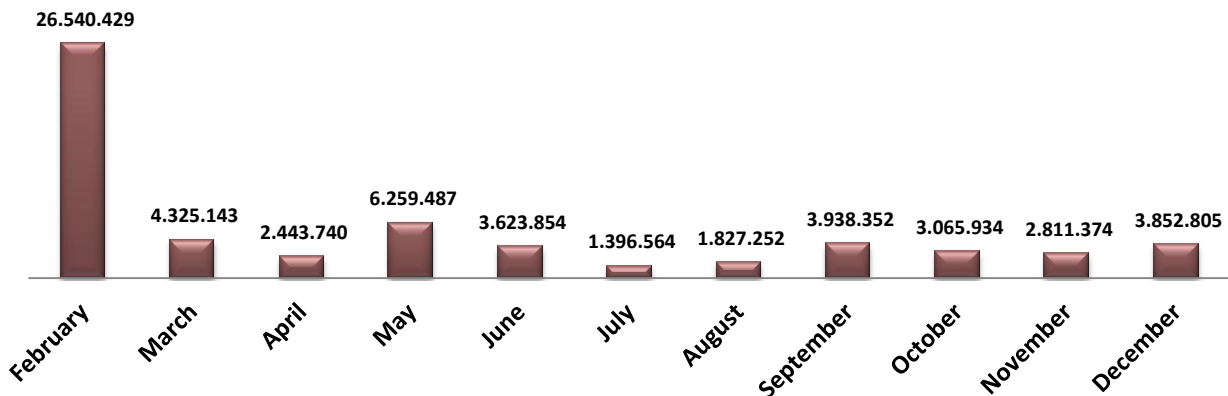
## SHARE PERFORMANCE

Our company was offered to public on February 22, 2013, and 28 percent of the shares are traded at BIST A.S. with the code “HLGYO”. Our stocks are included in BIST GYO BIST MALLI, BIST TUM, and BIST 100 indexes.



Monthly average trading volume of our company’s stocks within the period of 11 months between February and December, 2013 was realized as TL 76.682.537, while the highest trading volume was realized in May as valued at TL 143.968.206.

HLGYO Daily Average Trading Volume (TL)



In the company, the risk management, internal control and audit systems have been structured in accordance with the international practices, principles and organization. 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.

In addition, reporting is made to the Board of Directors for the purpose of early detection of the risks and predetermination of the actions that can be taken in accordance with the Article 378 of Turkish Commercial Code having entered into force.

The risks related to the company’s operation are classified within 5 categories including Operational Risk, Market Risk, Loan Risk, Liquidity Risk and Compliance Risk in respect of compliance with legal limits.

**Operational Risk:** It is the direct and indirect damage risk arising from such a wide range of reasons for the processes, employees, technology used and infrastructure. Operational risks may be caused by all the operations of the Company. The purpose of the Company is to avoid causing financial damages and damage to the reputation of the company, while supporting the entrepreneurship and creativity and managing the operational risk.

**Market Risk:** The market risk related to the monetary and capital market instruments are regularly measured and followed-up within the limits as specified by the legislation and reported to the senior management.

**Loan Risk:** As required by the primary business of the company, the major resource of the potential receivables includes the rental receivables and the receivables arising from the sales of the units in the developed projects. The loan risk is minimized with the collateralization application in accordance with the standards as specified by the management of the portfolio of qualified leaseholders and receivables.

**Liquidity Risk:** The company evaluates their cash resources and cash outflows which they do not direct into the projects in monetary and capital market instruments so that it will be covered fully and at the right time.

## HALK REAL ESTATE INVESTMENT TRUST, INC

**Compliance Risk:** The company complies with the portfolio restrictions as involved in the Communiqué Serial: III, No: 48 for Principles on Real Estate Investment Trusts as issued by Capital Market Board (CMB).

The Department of Risk Management of our Company has started the works for the purpose of minimizing and healthily managing all the risks related to company's operations as well as establishing a corporate structure and process in company's functioning, and the Company's works related to documentation have been completed and a risk map has been drawn. The integration works for the prepared work processes to be integrated into the Enterprise Resource Planning (ERP) system. With the project, the risks arising from the company's operations are aimed to be taken under control and managed by following the right process steps and healthy documentation system.

### OUTSOURCED COMPANIES

#### ➤ Independent Audit Firm

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member of KPMG International)

#### ➤ Appraisal Companies

The appraisal works related to the real estate as involved in the portfolio of the Company in accordance with the Communiqué Serial: III, No: 48.1 Regarding the Principles on Real Estate Investment Trusts of the Capital Market Board have been performed by Vektor Gayrimenkul Değerleme A.Ş. ve Adim Gayrimenkul Değerleme A.Ş..

#### ➤ Press and Public Relations PR Agency

Nar Halkla İlişkiler ve Reklam Dış Tic. Ltd. Şti.

#### ➤ Portfolio Management Company

Halk Portföy Yönetimi A.Ş.

#### ➤ Project Marketing and Consulting Company

Aremas Pazarlama ve Danışmanlık Hizmetleri Ltd. Şti.

### ➤ Benefits and Payments Provided for the Board of Directors and Executives

The total of the pays and similar benefits provided by the Company for the executives within the cutoff statement period having ended on December 31, 2013 is valued at TL 931.850 (December 31, 2012: TL 502.271).

### ➤ Changes Made to the Executives

Mr. Bilge Kagan Ceylan, the Vice General Manager of Project Development and Implementation at our Company resigned from his office as of 30.10.2013 within the period.

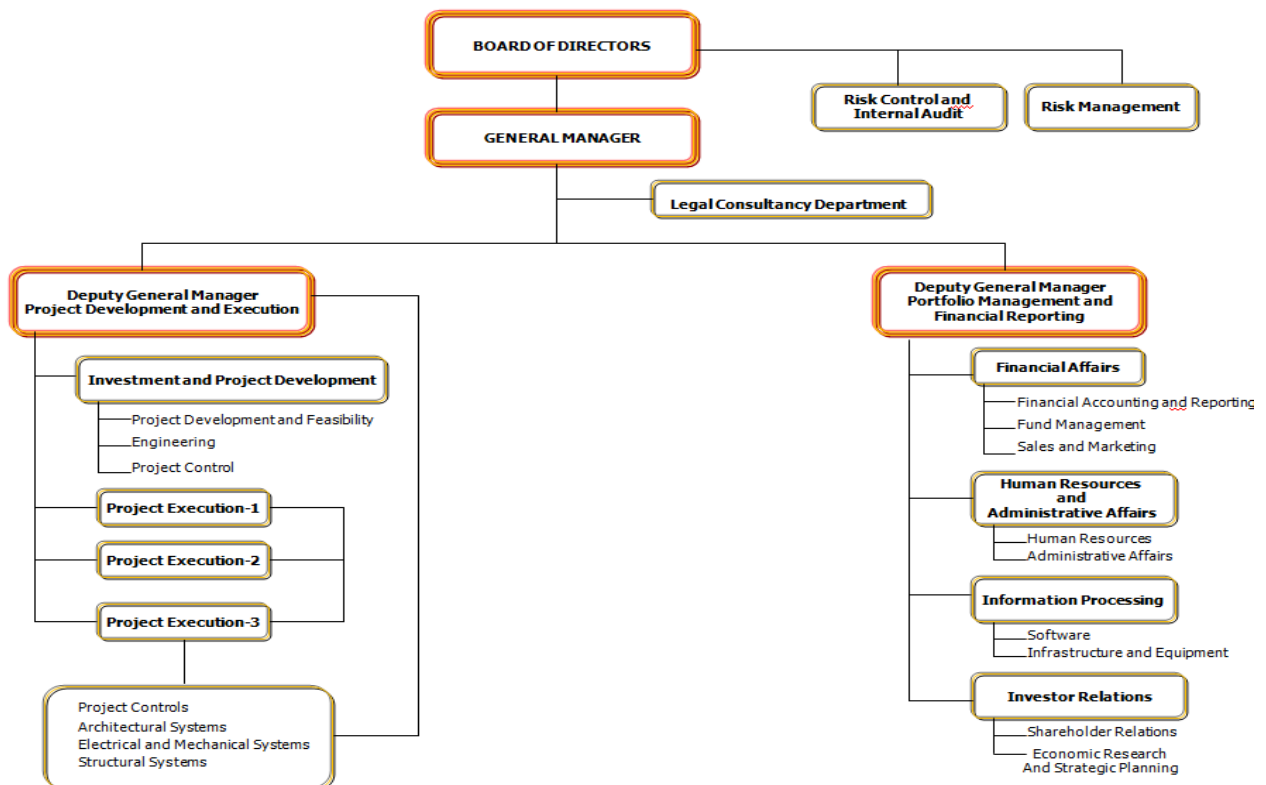
### ➤ Employees' Rights

The relevant social rights are regularly and periodically provided for our personnel in accordance with the legislation. We do not have any collective labor agreement.

### ➤ Human Resources and Organization

Halk GYO continues their operations under a structure consisting of 7 different departments and a Legal Consultancy Department. Our Company's number of personnel is 33 as of 31.12.2013. (31.12.2012: 22)

The organizational structure of our Company is provided below:



## HALK REAL ESTATE INVESTMENT TRUST, INC

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### ➤ Donations and Contributions

There were not any donations and contributions having been granted within the period.

### ➤ Performed Researches and Development Activities

There were not any research and development activities other than the land and project feasibility studies performed by our Company.

### ➤ Developments in Investments and Status of Benefits from Incentives

Our Company has obtained an Investment Incentive Certificate exclusively for Levent Dedeman Park Project (Certificates Date of Issue and No:11.03.2013-109254). We do not have any other investment operation still ongoing or started and any incentives used or still ongoing during the reporting period.

## SUBSEQUENT EVENTS

It has been unanimously decided to select Akis Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik Anonim Sirketi for the financial reports of our Company so as to include the financial year of 2014 based on the resolution no.69 of 20.01.2014 of the Board of Directors and to submit the same selection for the approval of the Board of Directors.

It has been unanimously decided to determine the companies to perform the appraisals of the assets contained in the real estate portfolio for the financial year 2014 to be Adim Gayrimenkul Degerleme A.S. and Vektor Gayrimenkul Degerleme A.S. as per the Article 35/2 titled "Selection of Real Estate Appraiser Company" of the Communiqué Serial: III No: 48.1 Regarding the Principles on Real Estate Investment Trust, based on the resolution no. 70 of 20.01.2014 of our Board of Directors, and to outsource appraisal service from Vektor Gayrimenkul Degerleme A.S. or Adim Gayrimenkul Degerleme A.S. for the assets that can be involved in the portfolio and require appraisal in 2014.

Our company has executed a contract with the advertising company Happy People Project (Atolye Reklam Hizmetleri A.S.) to outsource the services for their works relates to "applications, press-magazine announcements, graphics, show cards, and brochures for the advertising, promotion and marketing works" as of 20.01.2014.



# HALK REAL ESTATE INVESTMENT TRUST, INC

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## AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING 2013

- 1- Opening, election of the Chairing Council
- 2- Authorization of the Chairing Council for signing the minutes of the meeting.
- 3- Reading and discussion of the Board of Directors' Annual Report and Auditor's Report on activities in 2013
- 4- Reading, discussion and approval of the balance sheets and profit/loss accounts which belong to operating and accounting period of the year 2013
- 5- Discharge of the Board Members for their activities in 2013
- 6- Submitting the amendments to the Company's Profit Distribution Policy of 2013 and following years to the approval of the shareholders
- 7- Discussing and deciding about the Board of Directors' proposal for the distribution of 2013 operating profits,
- 8- Election of the Board Members and determining the term of their service
- 9- Determining the remuneration of the Board Members
- 10- Submitting the 2014 year's activities of auditor selected by Board of Directors to the approval of the General Assembly,
- 11- Submitting "Company's Disclosure Policy" revised by Board of Directors to the approval of the shareholders
- 12- According to the regulations of Capital Markets Board of Turkey (CMB), informing about operations with related party in 2013
- 13- Informing the shareholders on the Company's donations made in 2013, and setting the limit for the donations will be made in 2014
- 14- According to the regulations of Capital Markets Board of Turkey, informing the shareholders about guarantees, pledges and mortgages that the Company gives in favor of 3 rd parties.
- 15- Authorization of the Board Members for carrying out the transactions provided under the Articles 395 and 396 of the Turkish Commercial Law and informing the General Assembly by regarding principles' 1.3.6 article of CMB
- 16- Informing the shareholders on Article 37. Paragraph 2. of CMB's Serial: III No: 48.1 "Communique of Principles of the Real Estate Investment Trust"
- 17- Wishes, requests and closing

# HALK REAL ESTATE INVESTMENT TRUST, INC

## PROFIT DISTRIBUTION TABLE OF 2013

Our company's net profit for the period is TL 31.510.827,00 in the financial statements dated 31 December 2013 prepared in accordance with the Capital Markets Board's Communiqué No II-14.1 on the "Principles Regarding the Financial Reports in Capital Markets" and TL 28.834.183,72 in accordance with the Tax Procedure Law.

Within the scope of the Article No.519 of Turkish Commercial Code, TL 1.441.709,19.- be allocated as the first legal reserve, then from our distributable net profit, TL 3.006.912.- be distributed in cash (on April 15,2014) and TL 24.261.296.- be distributed as bonus share. These subjects will be submitted to the approval of the General Assembly. See below for Profit Distribution Table

### HALK GYO A.Ş. PROFIT DISTRIBUTION TABLE FOR THE YEAR 2013 (TL)

1. Paid-in/issued Capital		673.638.704,00	
2. Total Legal Reserves (Based on the Legal Records)		2.074.166,60	
Information regarding privileges in profit distribution, if any, according to the Articles of Association		0,00	
		<b>Based on Capital Markets Board</b>	<b>Based on the Legal Records</b>
3.	Profit for the Period	31.510.827	28.834.183,72
4.	Taxes (-)		
5.	Net profit for the Period (=)	31.510.827	28.834.183,72
6.	Former Year Losses (-)		
7.	First Legal Reserve (-)	1.441.709	1.441.709,19
8.	<b>NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)</b>	<b>30.069.118</b>	<b>27.392.474,53</b>
9.	Donations Given within the year (+)		
10.	Net Distributable Current-Year Profit including donation for distribution of first dividend	30.069.118	
11.	First Shareholders Dividend	27.268.208	
	Cash	3.006.912	
	Bonus	24.261.296	
	Total	27.268.208	
12.	Dividends For Preferred Shareholders		
13.	Dividends For Board of Directors, Personnel etc.	376.544	
14.	Dividends For Owners of Usufruct Shares		
15.	Second Dividend For Shareholders		
16.	Second Legal Reserves	37.654	
17.	Statutory Reserves	0	
18.	Special Reserves	0	
19.	<b>EXTRAORDINARY RESERVES</b>	<b>2.763.256</b>	<b>86.612,35</b>
20.	Other Sources Planned For Distribution	0	0,00
	Retained Earnings		
	Extraordinary Reserves	0	0,00
	Kanun ve Esas Sözleşme Uyarınca Dağıtılabilir Diğer Yedekler	0	0,00

<b>INFORMATION REGARDING TOTAL DISTRIBUTED DIVIDEND RATIO</b>				
<b>DIVIDEND INFORMATION PER SHARE</b>				
	GROUP	TOTAL DIVIDEND AMOUNT(TL)	OF 1 TL NOMINAL VALUE DISTRIBUTED PROFIT	
			AMOUNT(TRY)	RATIO (%)
GROSS	A	441.147,29	0,0405	4,05
	B	26.827.060,49	0,0405	4,05
	<b>TOTAL</b>	<b>27.268.207,78</b>		
NET (7)	A	441.147,29	0,0405	4,05
	B	26.827.060,49	0,0405	4,05
	<b>TOTAL</b>	<b>27.268.207,78</b>		
<b>THE RATIO OF THE DIVIDENDS TO THE DISTRIBUTABLE NET PROFIT FOR THE PERIOD</b>				
DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TL)	THE RATIO OF THE DIVIDENDS TO THE DISTRIBUTABLE NET PROFIT FOR THE PERIOD (%)			
27.268.207,78	90,69%			

## HALK REAL ESTATE INVESTMENT TRUST, INC

INFORMATION REGARDING DIVIDEND RATIO DISTRIBUTED AS CASH				
DIVIDEND INFORMATION PER SHARE				
	GROUP	TOTAL DIVIDEND AMOUNT(TL)	DIVIDEND PER SHARE FOR 1 TL NOMINAL VALUE	
			AMOUNT(TRY)	RATIO (%)
GROSS	A	48.646,06	0,0045	0,45
	B	2.958.265,72	0,0045	0,45
	<u>TOTAL</u>	3.006.911,78		
NET (7)	A	48.646,06	0,0045	0,45
	B	2.958.265,72	0,0045	0,45
	<u>TOTAL</u>	3.006.911,78		
THE RATIO OF THE DIVIDENDS TO THE DISTRIBUTABLE NET PROFIT FOR THE PERIOD INCLUDING DONATIONS				
DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TL)		THE RATIO OF THE DIVIDENDS TO THE DISTRIBUTABLE NET PROFIT FOR THE PERIOD INCLUDING DONATIONS (%)		
3.006.911,78		10,00%		

INFORMATION REGARDING DIVIDEND RATIO DISTRIBUTED AS BONUS SHARE				
DIVIDEND INFORMATION PER SHARE				
	GROUP	TOTAL DIVIDEND AMOUNT(TL)	DIVIDEND PER SHARE FOR 1 TL NOMINAL VALUE	
			AMOUNT(TRY)	RATIO (%)
GROSS	A	392.501,22	0,0360	3,60
	B	23.868.794,78	0,0360	3,60
	<u>TOTAL</u>	24.261.296,00		
NET (7)	A	392.501,22	0,0360	3,60
	B	23.868.794,78	0,0360	3,60
	<u>TOTAL</u>	24.261.296,00		
THE RATIO OF THE DIVIDENDS TO THE DISTRIBUTABLE NET PROFIT FOR THE PERIOD INCLUDING DONATIONS				
DIVIDEND DISTRIBUTED TO SHAREHOLDERS (TL)		THE RATIO OF THE DIVIDENDS TO THE DISTRIBUTABLE NET PROFIT FOR THE PERIOD INCLUDING DONATIONS (%)		
24.261.296,00		80,69%		

\* Dividends to the Members of the Board of Directors and to the personnel was included in the net profit of the year 2013 via setting aside provisions so it was not subject to the dividend payout and shown in the table for Informative purposes only.

# HALK REAL ESTATE INVESTMENT TRUST, INC

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## ANNEX 1 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

# HALK REAL ESTATE INVESTMENT TRUST, INC

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## Compliance Statement for Corporate Governance Principles

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.

## HALK REAL ESTATE INVESTMENT TRUST, INC

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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:

**Name/Title:** Ugur GUNEY/Head  
**License :** Advanced Level / Corporate Governance Rating License  
**Telephone :** 216 600 10 25  
**E-mail :** [ugur.guney@halkgyo.com.tr](mailto:ugur.guney@halkgyo.com.tr)

**Name/Title:** Serpil YORUK/Manager  
**License :** Advanced Level / Corporate Governance Rating License /  
Derivative Financial Instruments License  
**Telephone: :** 216 600 10 33  
**E-mail :** [serpil.yoruk@halkgyo.com.tr](mailto:serpil.yoruk@halkgyo.com.tr)

**Name/Title :** M. Erhan ÇELEBI/Asst. Specialist  
**Telephone :** 0216 600 10 06  
**E-mail :** [mustafaerhan.celebi@halkgyo.com.tr](mailto:mustafaerhan.celebi@halkgyo.com.tr)

### 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](http://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.

# **HALK REAL ESTATE INVESTMENT TRUST, INC**

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## **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,

# HALK REAL ESTATE INVESTMENT TRUST, INC

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## **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.



# **HALK REAL ESTATE INVESTMENT TRUST, INC**

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## **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.

# **HALK REAL ESTATE INVESTMENT TRUST, INC**

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## **8. Company's Web Site and Its Content**

The Company's web site is available at [www.halkgyo.com.tr](http://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.

# **HALK REAL ESTATE INVESTMENT TRUST, INC**

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## **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.

# HALK REAL ESTATE INVESTMENT TRUST, INC

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 CEBECİ	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

## **HALK REAL ESTATE INVESTMENT TRUST, INC**

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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.

## HALK REAL ESTATE INVESTMENT TRUST, INC

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

## **HALK REAL ESTATE INVESTMENT TRUST, INC**

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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.

## **HALK REAL ESTATE INVESTMENT TRUST, INC**

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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.



# **HALK REAL ESTATE INVESTMENT TRUST, INC**

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**ANNEX 2**

**SUMMARY APPRAISER'S REPORTS FOR THE ASSETS**

# HALK REAL ESTATE INVESTMENT TRUST, INC

## LANDS & PROJECTS

### FINANCE CENTER LAND

<b>DATE OF REPORT</b>	25.12.2013
<b>REPORT NO</b>	2013_300_23
<b>DATE OF APPRAISAL</b>	20.11.2013
<b>DATE OF REFERENCE CONTRACT</b>	11.11.2013
<b>REFERENCE CONTRACT NO</b>	2013_300_11-24
<b>SHORT DESCRIPTION OF APPRAISED REAL ESTATE</b>	The lands within gross areas of 16.337,10 and 12.394,57 m <sup>2</sup> located on the Block No. 3328 and Parcel No. 4 and Block No. 3328 and Parcel No. 11 in the Quarter of Kucukbakkalkoy, District of Umraniye, Province of Istanbul.
<b>APPRAISED VALUE (PRECEDENT)</b>	<b>(VAT excluded) TL 517.170.060</b>

### ISTANBUL DEDEMAN PARK LEVENT HOTEL PROJECT

<b>DATE OF REPORT</b>	25.12.2013
<b>REPORT NO</b>	2013_300_14
<b>DATE OF APPRAISAL</b>	25.12.2013
<b>DATE OF REFERENCE CONTRACT</b>	11.11.2013
<b>REFERENCE CONTRACT NO</b>	2013_300_11-24
<b>SHORT DESCRIPTION OF APPRAISED REAL ESTATE</b>	The land within a gross area of 2.721,02 m <sup>2</sup> as registered under the Block no. 1957 and Parcel No. 6 in the Quarter of Mecidiyekoy, District of Sisli, Province of Istanbul
<b>APPRAISED VALUE (PRECEDENT)</b>	<b>(VAT excluded) TL 60.460.620</b>

### ESKISEHIR RESIDENTIAL + COMMERCIAL PROJECT

<b>DATE OF REPORT</b>	25.11.2013
<b>REPORT NO</b>	2013_30
<b>DATE OF APPRAISAL</b>	11.11.2013
<b>DATE OF REFERENCE CONTRACT</b>	01.11.2013
<b>REFERENCE CONTRACT NO</b>	2013_30
<b>SHORT DESCRIPTION OF APPRAISED REAL ESTATE</b>	1 land located on the Block No. 1452, Plot No. 20M-4A, and Parcel No. 110 in the District of Odunpazari, Province of Eskisehir. The Parcel is located within an area of 9.811,01 m <sup>2</sup> .
<b>APPRAISED VALUE</b>	<b>(VAT excluded) TL 44.364.815</b>

# HALK REAL ESTATE INVESTMENT TRUST, INC

## REFERANS BAKIRKOY PROJECT

<b>DATE OF REPORT</b>	06.11.2013
<b>REPORT NO</b>	2013_300_07
<b>DATE OF APPRAISAL</b>	30.10.2013
<b>DATE OF REFERENCE CONTRACT</b>	07.10.2013
<b>REFERENCE CONTRACT NO</b>	2013_300_07
<b>SHORT DESCRIPTION OF APPRAISED REAL ESTATE</b>	Parcel No. 2, Block No. 1224, and Parcel No. 1, Block No. 1225, Quarter of Osmaniye, District of Bakirkoy
<b>APPRAISED VALUE</b>	<b>(VAT excluded) TL 90.500.000</b>

## KOCAELI SEKERPINAR PROJECT

<b>DATE OF REPORT</b>	10.10.2013
<b>REPORT NO</b>	2013 -300 -006
<b>DATE OF APPRAISAL</b>	04.10.2013
<b>DATE OF REFERENCE CONTRACT</b>	09.09.2013
<b>REFERENCE CONTRACT NO</b>	2013 -300-006
<b>SHORT DESCRIPTION OF APPRAISED REAL ESTATE</b>	Province of Kocaeli, District of Çayirova, Village of Sekerpinar, Plot No. G22B19A1B, Block No. 420, Parcel No. 26–Operation Center Project
<b>APPRAISED VALUE (PRECEDENT)</b>	<b>(VAT excluded) tl 14.869.400. - TL</b>

# HALK REAL ESTATE INVESTMENT TRUST, INC

## BUILDINGS

### ANKARA BAHÇELIEVLER BUILDING 1

DATE OF REPORT	25.12.2013
REPORT NO	2013_300_25
DATE OF APPRAISAL	25.12.2013
DATE OF REFERENCE CONTRACT	11.11.2013
REFERENCE CONTRACT NO	2013_300_11-30
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	Province of Ankara, Central District of Cankaya, Quarter of Yukari Bahcelievler, Block No. 2758 and Parcel No. 29 "Masonry building"
APPRAISED VALUE	(VAT excluded) TL 8.778.000

### ANKARA BAHÇELIEVLER BINASI 2

DATE OF REPORT	25.12.2013
REPORT NO	2013_300_26
DATE OF APPRAISAL	25.12.2013
DATE OF REFERENCE CONTRACT	11.11.2013
REFERENCE CONTRACT NO	2013_300_11...30
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	Province of Ankara, District of Cankaya, Block No. 2763, Parcel No. 10, ground floor, No: 9 "Bank with Storage"
APPRAISED VALUE	(VAT excluded) TL 7.400.000

### ANKARA KIZILAY BRANCH

DATE OF REPORT	25.12.2013
REPORT NO	2013_300_27
DATE OF APPRAISAL	25.12.2013
DATE OF REFERENCE CONTRACT	11.11.2013
REFERENCE CONTRACT NO	2013_300_11...30
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	Province of Ankara, District of Cankaya, Block No. 1064, Parcel No. 14, registered real estate qualified as "Masonry Building" (51 independent sections)
APPRAISED VALUE	(VAT excluded) TL 16.497.936

# HALK REAL ESTATE INVESTMENT TRUST, INC

## ANKARA CAPITAL BRANCH

DATE OF REPORT	25.12.2013
REPORT NO	2013_300_28
DATE OF APPRAISAL	25.12.2013
DATE OF REFERENCE CONTRACT	11.11.2013
REFERENCE CONTRACT NO	2013 300 11...30
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	Province of Ankara, District of Cankaya, Block No. 1046, Parcel No. 27, registered real estate qualified as "Apartment Building"
APPRAISED VALUE	(VAT excluded) TL 12.673.000

## BURSA BUILDING

DATE OF REPORT	23.12.2013
REPORT NO	088
DATE OF APPRAISAL	11.12.2013
DATE OF REFERENCE CONTRACT	29.11.2013
REFERENCE CONTRACT NO	088
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	"7—floor Reinforced Concrete Bank Building" registered under Plot No. H22D07A3B, Block No. 4306 and Parcel No. 1, Province of Bursa, District of Osmangazi, Quarter of Kayihan
APPRAISED VALUE (EMSAL YON. ILE)	(VAT excluded) TL 9.510.000

## IZMIR KONAK BUILDING 1

DATE OF REPORT	23.12.2013
REPORT NO	089
DATE OF APPRAISAL	06.12.2013
DATE OF REFERENCE CONTRACT	29.11.2013
REFERENCE CONTRACT NO	089
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	"Bank Building including Five Stores and Two Offices" registered under Plot No. 77, Block No. 971 and Parcel No. 17, Province of Izmir, District of Konak, Quarter of Akdeniz
APPRAISED VALUE	(VAT excluded ) TL 16.845.000

# HALK REAL ESTATE INVESTMENT TRUST, INC

## IZMIR KONAK BUILDING 2

<b>DATE OF REPORT</b>	01.10.2013
<b>REPORT NO</b>	072
<b>DATE OF APPRAISAL</b>	16.09.2013
<b>DATE OF REFERENCE CONTRACT</b>	12.09.2013
<b>REFERENCE CONTRACT NO</b>	072
<b>SHORT DESCRIPTION OF APPRAISED REAL ESTATE</b>	The independent sections no. 1, 3, 5, 15, and 16 of the "Ten- floor Masonry Building" registered under the Plot No. 77, Block No. 2802 and Parcel No. 15, Province of Izmir, District of Konak, Quarter of Akdeniz (Ind. Sec. No. 15 - Halk Sigorta A.S. Aegean Head Office, Department of Branch Operations, Halk Yatirim A.S. Izmir Branch located in Pamuk Plaza; Ind. Sec. No. 16 – Ground floor transformer; Ind. Sec. No. 1, 3, and 5 -T. Halkbankasi A.S. Coordinator Office of the 1st Region, etc.)
<b>APPRAISED VALUE</b>	<b>(VAT excluded) TL 12.000.000</b>

## ISTANBUL ATASEHIR FINANCE TOWER

<b>DATE OF REPORT</b>	23.12.2013
<b>REPORT NO</b>	087
<b>DATE OF APPRAISAL</b>	06.12.2013
<b>DATE OF REFERENCE CONTRACT</b>	29.11.2013
<b>REFERENCE CONTRACT NO</b>	087
<b>SHORT DESCRIPTION OF APPRAISED REAL ESTATE</b>	Real estate qualified with 13 stores and 92 offices located in the Block B of the main real estate for which the construction servitude has been established as registered as "Land" under the Block No. 3332 and Parcel 24, Province of Istanbul, District of Atasehir, Quarter of Kuçukbakkalkoy
<b>APPRAISED VALUE</b>	<b>(VAT excluded) 166.230.000 -TL</b>

## ISTANBUL ATAKOY BUILDING

<b>DATE OF REPORT</b>	23.12.2013
<b>REPORT NO</b>	079
<b>DATE OF APPRAISAL</b>	06.12.2013
<b>DATE OF REFERENCE CONTRACT</b>	29.11.2013
<b>REFERENCE CONTRACT NO</b>	079
<b>SHORT DESCRIPTION OF APPRAISED REAL ESTATE</b>	The building with basement+ground+1 normal floor + penthouse located in Plot No. 51, Block No. 115, and Parcel No. 174, Province of Istanbul, District of Bakirkoy, Quarter of Kartaltepe. The real estate is located within a parcel area of 515 m <sup>2</sup> .
<b>APPRAISED VALUE</b>	<b>(VAT excluded) TL 9.500.000</b>

# HALK REAL ESTATE INVESTMENT TRUST, INC

## ISTANBUL BEYOGLU BUILDING

<b>DATE OF REPORT</b>	23.12.2013
<b>REPORT NO</b>	081
<b>DATE OF APPRAISAL</b>	06.12.2013
<b>DATE OF REFERENCE CONTRACT</b>	29.11.2013
<b>REFERENCE CONTRACT NO</b>	081
<b>SHORT DESCRIPTION OF APPRAISED REAL ESTATE</b>	The office building being used by Beyoglu Branch of Halk Bank and the Unit of Exchange, Undersecretariat of Treasury, the Prime Ministry of the Republic of Turkey, which consists of 2 basement floors+groun floor+mezzanine floor+ 6 normal floors and 9 independent sections located in the Block No. 338, Parcel No. 8, Province of Istanbul, District of Beyoglu, Quarter of Huseyinaga
<b>APPRAISED VALUE</b>	<b>(VAT excluded) TL 17.000.000</b>

## ISTANBUL BESIKTAS BUILDING

<b>DATE OF REPORT</b>	23.12.2013
<b>REPORT NO</b>	080
<b>DATE OF APPRAISAL</b>	06.12.2013
<b>DATE OF REFERENCE CONTRACT</b>	29.11.2013
<b>REFERENCE CONTRACT NO</b>	080
<b>SHORT DESCRIPTION OF APPRAISED REAL ESTATE</b>	Bank service building as masonry office building within an area of 267,23 m <sup>2</sup> as registered under Block No. 291, Parcel No. 93, Province of Istanbul, District of Besiktas, Quarter of Sinanpasa
<b>APPRAISED VALUE</b>	<b>(VAT excluded) 14.000.000 -TL</b>

## ISTANBUL BAKIRKOY BUILDING

<b>DATE OF REPORT</b>	23.12.2013
<b>REPORT NO</b>	078
<b>DATE OF APPRAISAL</b>	06.12.2013
<b>DATE OF REFERENCE CONTRACT</b>	29.11.2013
<b>REFERENCE CONTRACT NO</b>	078
<b>SHORT DESCRIPTION OF APPRAISED REAL ESTATE</b>	The building with 2 basement floors+ground floor+5 normal floors located in Plot No. 16, Block No. 101, Parcel No. 29, Province of Istanbul, District of Bakirkoy, Quarter of Zeytinlik. The real estate in located on a parcel within a gross area of 213,70 m <sup>2</sup> .
<b>APPRAISED VALUE</b>	<b>(VAT excluded) TL 17.820.000</b>

# HALK REAL ESTATE INVESTMENT TRUST, INC

## ISTANBUL CADDEBOSTAN BUILDING

DATE OF REPORT	25.12.2013
REPORT NO	082
DATE OF APPRAISAL	06.12.2013
DATE OF REFERENCE CONTRACT	29.11.2013
REFERENCE CONTRACT NO	082
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	The independent sections no. 1, 2, 3, 4, 5 in the main real estate registered on the land within a gross area of 902,00 m <sup>2</sup> located in the Plot No. 106/4, Block No. 368, Parcel No. 25, Province of Istanbul, District of Kadikoy, Quarter of Erenkoy.
APPRAISED VALUE	(VAT excluded) TL 6.880.000

## ISTANBUL ETILER BUILDING

DATE OF REPORT	23.12.2013
REPORT NO	085
DATE OF APPRAISAL	06.12.2013
DATE OF REFERENCE CONTRACT	29.11.2013
REFERENCE CONTRACT NO	085
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	The building registered under the Block No. 578, Parcel No. 3, Province of Istanbul, District of Besiktas, Quarter of Bebek.
APPRAISED VALUE	(VAT excluded) TL 13.500.000

## ISTANBUL FATIH BUILDING

DATE OF REPORT	23.12.2013
REPORT NO	084
DATE OF APPRAISAL	06.12.2013
DATE OF REFERENCE CONTRACT	29.11.2013
REFERENCE CONTRACT NO	084
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	The building with a basement + ground floor+4 normal floors located in the Plot No. 25, Block No. 418, and Parcel No. 2, Province of Istanbul, District of Fatih, Quarter of Hobyar.
APPRAISED VALUE	(VAT excluded) TL 8.380.000

## ISTANBUL KARAKOY BUILDING

DATE OF REPORT	23.12.2013
REPORT NO	090
DATE OF APPRAISAL	06.12.2013
DATE OF REFERENCE CONTRACT	29.11.2013
REFERENCE CONTRACT NO	090
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	The real estate qualified as "Bank with Attachments" with independent section no. 1 located on the Basement+Ground+1 (Mezzanine) + 2 normal floors of the "Masonry Office Building with a Bank under" located in the Plot No. 102, Parcel No. 3, Province of Istanbul, District of İlçesi, Quarter of Mueyyetzade.
APPRAISED VALUE	(VAT excluded) TL 26.660.000



# HALK REAL ESTATE INVESTMENT TRUST, INC

## ISTANBUL NISANTASI BUILDING

DATE OF REPORT	23.12.2013
REPORT NO	086
DATE OF APPRAISAL	06.12.2013
DATE OF REFERENCE CONTRACT	29.11.2013
REFERENCE CONTRACT NO	086
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	The restaurant with mezzanine floor located in the main real estate registered under the Block No. 680, Parcel No. 14, Province of Istanbul, District of Sisli, Quarter of Halaskargazi.
APPRAISED VALUE	(VAT excluded) TL 6.920.000

## ISTANBUL SALIPAZARI BUILDING

DATE OF REPORT	01.10.2013
REPORT NO	0069
DATE OF APPRAISAL	24.09.2013
DATE OF REFERENCE CONTRACT	16.09.2013
REFERENCE CONTRACT NO	0069
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	Office building with 1 basement floor + ground floors+ 7 normal floors + 1 penthouse registered under the Plot No. 138, Block No. 57, Parcel No. 14, Province of Istanbul, District of Beyoglu, Quarter of Kiliçali (Halk Bank Salipazari Branch and Head Office Additional Service Building)
APPRAISED VALUE	(VAT excluded) TL 39.530.000

## ISTANBUL SISLI BUILDING

DATE OF REPORT	23.12.2013
REPORT NO	083
DATE OF APPRAISAL	06.12.2013
DATE OF REFERENCE CONTRACT	29.11.2013
REFERENCE CONTRACT NO	083
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	The building qualified as masonry apartment building with a store under it within an area of 200,00 m <sup>2</sup> registered under the Block No. 954, Parcel No. 62, Province of Istanbul, District of Sisli, Quarter of Mesrutiyet
APPRAISED VALUE	(VAT excluded) TL 12.500.000

# HALK REAL ESTATE INVESTMENT TRUST, INC

## KOCAELI SUBESI BUILDING

DATE OF REPORT	25.12.2013
REPORT NO	2013_300_29
DATE OF APPRAISAL	25.12.2013
DATE OF REFERENCE CONTRACT	11.11.2013
REFERENCE CONTRACT NO	2013_300 between 11...30
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	"Reinforced Concrete Bank Service Building" in the Block No. 870, Parcel No. 48, Province of Kocaeli, District of Izmit,
APPRAISED VALUE	<b>(VAT excluded) TL 8.215.000</b>

## SAKARYA ADAPAZARI BUILDING

DATE OF REPORT	25.12.2013
REPORT NO	2013_300_0030
DATE OF APPRAISAL	25.12.2013
DATE OF REFERENCE CONTRACT	11.11.2013
REFERENCE CONTRACT NO	2013_300 between 11...30
SHORT DESCRIPTION OF APPRAISED REAL ESTATE	"Stores" No. 1 on the basement floor, and No.3 on the ground floor, and "Office" No. 23 on the 1st floor on the Block No. 130, Parcel No. 167, Province of Sakarya, District of Adapazari,
APPRAISED VALUE	<b>(VAT excluded) TL 7.593.300</b>

# HALK REAL ESTATE INVESTMENT TRUST, INC

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ANNEX 3

INDEPENDENT AUDITORS' REPORT



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**  
Kavacık Rüzgarlı Bahçe Mah.  
Kavak Sok. No: 29  
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00  
Fax +90 (216) 681 90 90  
Internet www.kpmg.com.tr

## **Convenience Translation of the Independent Auditor's Report Originally Prepared and Issued in Turkish**

To the Board of Directors of Halk Gayrimenkul Yatırım Ortaklığı Anonim Şirketi,

### *Introduction*

We have audited the accompanying statement of financial position of Halk Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company") as at 31 December 2013, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards ("TAS") promulgated by Public Oversight Accounting and Auditing Standards Authority ("POAAS") and such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Independent Auditing Standards promulgated by Capital Market Board. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# HALK REAL ESTATE INVESTMENT TRUST, INC



## *Opinion*

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Halk Gayrimenkul Yatırım Ortaklığı Anonim Şirketi as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with TAS (Note 2).

## *Emphasis of matter*

As explained in Note 3 to the financial statements, the Company earns substantial portion of its sales from its related parties.

## *Reports Regarding Independent Auditors Obligations from Other laws and Regulations*

i) In accordance with Article 402 of the Turkish Commercial Code (No. 6102), the Board of Directors of the Company has provided and disclosed us with all relevant information and documentation as agreed in the terms of the audit engagement for the year ended 31 December 2013. Further, we have not become aware of an apparent material misstatement of fact for the year ended 31 December 2013 that maintaining the accounting ledger is not in compliance with the rules of the applicable law and articles in the Company's Charter for governing financial reporting .

ii) In accordance with Article 378 of the Turkish Commercial Code (No. 6102), the Board of Directors of a company, whose shares are publicly traded, is responsible for setting up the Early Risk Detection Committee (the Committee), operating and developing its internal system to detect early the causes which would endanger the Company's existence, development and continuance, take the necessary preventative measures and apply such measures for those causes. Clause 4 of Article 378 of the Turkish Commercial Code (No.6102) requires the auditor to issue a separate auditor's report in the format approved by the Public Oversight Accounting and Auditing Standards Authority and disclose whether the Board of Directors of the Company has set up the internal system and the Committee in accordance with Article 378 to detect early the risks that could endanger the Company and to oversee the risk management and disclose the structure of the internal system and applications of the Committee if such internal system and Committee is set up. The applicable law requires the auditor to present the abovementioned separate auditor's report together with the auditor's report to the Board of Directors of the Company. Our audit does not involve an assessment of the operational effectiveness and capability of the actions undertaken by the management of the Company in order to manage the abovementioned risks. As of the date of the auditor's report, the Public Oversight Accounting and Auditing Standards Authority has not announced any information on the structure of the separate auditor's report. Thus, a separate report has not been prepared on this subject. Nevertheless, the Company has set up the Committee on 10 April 2013 and it is a two-member Committee. The Committee has met four times since its inception until the date of the auditor's report with the aim of detecting early the causes that could endanger the Company's existence and development, taking the necessary preventative measures and applying such measures for those causes and the Committee presented its reports to the Board of Directors of the Company.

Istanbul, 30 January 2014

Akis Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik  
Anonim Şirketi

Erdal Tıkmak  
Partner

## *Additional Paragraph for Convenience Translation to English*

As explained in Note 2.1, the accompanying financial statements are not intended to present the financial position and results of its operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

# **HALK REAL ESTATE INVESTMENT TRUST, INC**

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## **FINANCIAL TABLES AS OF 31 ARALIK 2013**

*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)*

# HALK REAL ESTATE INVESTMENT TRUST, INC

<b>BALANCE SHEET</b>		<b>Audited</b>	<b>Restated Audited*</b>
	Notes	<b>31 December 2013</b>	<b>31 December 2012</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>		<b>235,706,098</b>	<b>45,772,597</b>
Cash and cash equivalents	4	72,169,331	6,477,468
Financial investments	5	104,188,011	153,334
Trade receivables	6	12,069,703	5,596,148
Inventories	7	44,969,470	31,765,625
Prepaid expenses	15	441,720	1,333,255
- <i>Related parties</i>	3	411,617	811,195
- <i>Other</i>		30,103	522,060
Current tax assets		1,143,468	286,654
Other current assets	15	724,395	160,113
- <i>Related parties</i>	3	359	--
- <i>Other</i>		724,036	160,113
<b>NON-CURRENT ASSETS</b>		<b>654,425,796</b>	<b>633,261,451</b>
Trade receivables	6	2,504,285	5,454,022
Investment property	9	615,745,523	612,000,378
Prepaid expenses	15	20,818,198	--
Tangible assets	10	1,097,460	944,096
Intangible assets	11	223,499	12,955
Other non-current assets	15	14,036,831	14,850,000
<b>TOTAL ASSETS</b>		<b>890,131,894</b>	<b>679,034,048</b>
<b>LIABILITIES</b>			
<b>SHORT-TERM LIABILITIES</b>		<b>102,905,640</b>	<b>33,377,032</b>
Current portion of long term borrowings	12	3,325,159	21,081,080
- <i>Borrowings from related parties</i>	3	3,325,159	21,081,080
Trade payables		2,381,906	838,543
- <i>Due to related parties</i>	3	117,876	99,250
- <i>Other trade payables</i>		2,264,030	739,293
Short term portions of employee benefits	14	512,438	73,944
Deferred income	8	95,401,043	11,153,400
Other short-term liabilities	15	1,285,094	230,065
<b>LONG-TERM LIABILITIES</b>		<b>18,050,241</b>	<b>124,340,306</b>
Long term borrowings	12	15,212,501	73,121,272
- <i>Borrowings from related parties</i>	3	15,212,501	73,121,272
Long term portions of employee benefits	14	49,390	27,881
Deferred income	8	2,788,350	51,191,153
<b>EQUITY</b>		<b>769,176,013</b>	<b>521,316,710</b>
Share capital		673,638,704	477,000,000
Own shares acquired (-)		(18,991,341)	--
Share premiums		49,945,096	--
Other comprehensive income non- reclassified to profit or loss		(3,392)	--
<i>Defined benefit plan actuarial gains (losses)</i>		(3,392)	--
Other comprehensive income reclassified to profit or loss		(209,146)	--
<i>Net change in fair value of available-for-sale financial assets</i>		(209,146)	--
Restricted reserves		2,074,167	1,453,261
Retained earnings		31,211,098	30,797,750
Net profit for the period		31,510,827	12,065,699
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>890,131,894</b>	<b>679,034,048</b>

# HALK REAL ESTATE INVESTMENT TRUST, INC

<b>INCOME STATEMENT TABLE</b>		<b>Audited</b>	<b>Restated Audited*</b>
	Notes	<b>1 January – 31 December 2013</b>	<b>1 January – 31 December 2012</b>
<b>PROFIT OR LOSS</b>			
Revenue	17	58,513,850	26,806,641
Cost of sales	17	(12,023,516)	(2,069,444)
<b>Gross profit</b>		<b>46,490,334</b>	<b>24,737,197</b>
Administrative expenses	18	(9,753,600)	(4,690,398)
Other operating income	19	1,427,368	33,843
Other operating expense	19	(2,468,834)	(18,067)
<b>Operating profit</b>		<b>35,695,268</b>	<b>20,062,575</b>
Financial expenses	20	(4,184,441)	(7,996,876)
<b>Profit before tax</b>		<b>31,510,827</b>	<b>12,065,699</b>
Tax income / (expense)	21	--	--
<b>NET PROFIT FOR THE PERIOD</b>		<b>31,510,827</b>	<b>12,065,699</b>
Earnings per basic and diluted share	22	<b>0.04887</b>	<b>0.02473</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income non- reclassified to profit or loss</i>		(3,392)	--
<i>Defined benefit plan actuarial gains (losses)</i>		(3,392)	--
<i>Other comprehensive income reclassified to profit or loss</i>		(209,146)	--
<i>Net change in fair value of available-for-sale financial assets</i>		(209,146)	--
<b>Other comprehensive income</b>		(212,538)	--
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>31,298,289</b>	<b>12,065,699</b>



## HALK REAL ESTATE INVESTMENT TRUST, INC

### STATEMENT OF CHANGES OF EQUITY

				Other comprehensive income reclassified to profit or loss	Other comprehensive income non- reclassified to profit or loss	Accumulated Profit				
	Share capital	Own shares acquired	Share premiums	Net loss in fair value of available-for- sale financial assets	Defined benefit plan actuarial gains (losses)	Restricted reserves	Retained Earnings	Net profit for the period	Total	
<b>Balance at 1 January 2012</b>	<b>477,000,000</b>	--	--	--	--	--	<b>1,829,221</b>	<b>30,421,790</b>	<b>509,251,011</b>	
Transfers to reserves	--	--	--	--	--	1,453,261	28,968,529	(30,421,790)	--	
Total comprehensive income	--	--	--	--	--	--	--	12,065,699	12,065,699	
<b>Balance at 31 December 2012</b>	<b>477,000,000</b>	--	--	--	--	<b>1,453,261</b>	<b>30,797,750</b>	<b>12,065,699</b>	<b>521,316,710</b>	
<b>Balance at 1 January 2013</b>	<b>477,000,000</b>	--	--	--	--	<b>1,453,261</b>	<b>30,797,750</b>	<b>12,065,699</b>	<b>521,316,710</b>	
Transfer to reserves	--	--	--	--	--	620,906	11,444,793	(12,065,699)	--	
Total comprehensive income	--	--	--	(209,146)	(3,392)	--	--	31,510,827	31,298,289	
Capital increase	185,500,000	--	64,925,000	--	--	--	--	--	250,425,000	
Public offering expenses	--	--	(8,847,688)	--	--	--	--	--	(8,847,688)	
Capital increase	11,138,704	(314,024)	--	--	--	--	(10,824,680)	--	--	
Own shares acquired	--	(18,677,317)	(6,132,216)	--	--	--	--	--	(24,809,533)	
Dividend payment	--	--	--	--	--	--	(206,765)	--	(206,765)	
<b>Balance as at 31 December 2013</b>	<b>673,638,704</b>	<b>(18,991,341)</b>	<b>49,945,096</b>	<b>(209,146)</b>	<b>(3,392)</b>	<b>2,074,167</b>	<b>31,211,098</b>	<b>31,510,827</b>	<b>769,176,013</b>	

# HALK REAL ESTATE INVESTMENT TRUST, INC

<b>STATEMENT OF CAH FLOW</b>	<b>Audited</b>	<b>Restated Audited*</b>
	<b>1 January – 31 December 2013</b>	<b>1 January – 31 December 2012</b>
<b><u>Cash flows from operating activities</u></b>		
<b>Net profit for the period</b>	<b>31,510,827</b>	<b>12,065,699</b>
<b>Adjustments related with net profit reconciliation:</b>		
Adjustments to the depreciation expense of investment property	1,174,006	1,024,774
Adjustments to the depreciation expense of tangible assets	315,278	63,045
Adjustments to the amortization expense of intangible assets	3,228	473
Adjustments to the provisions	469,213	106,628
Adjustments to the interest income and interest expense	(3,922,860)	6,167,763
Adjustments to the unrealized foreign currency conversion	1,041,466	15,776
Adjustments to the fair value loss / profit	141,785	(3,709)
Adjustments to the other accounts cause to cash flows provided from investment and financing activities	(11,633)	22,683
Adjustment to income from the disposal of investment property	(9,618,779)	--
<b>Changes in working capital:</b>		
Adjustments to the increase in inventory	(7,885,057)	--
Adjustments to the increase in trade receivables	(3,363,888)	(11,050,170)
Adjustments to the (increase)/decrease in prepaid expenses	(19,926,663)	1,047,840
Adjustments to the increase in other current assests	(611,319)	(17,198,035)
Adjustments to the increase/(decrease) in trade payables	2,006,567	(95,539)
Adjustments to the increase in deffered income	34,578,443	62,574,618
Adjustments to the increase/(decrease) in other liabilities	1,055,029	(307,211)
Proceeds from selling shares or debt instruments of a business organization or funds	42,537,255	8,175,130
Proceeds from acquiring shares or debt instruments of a business organization or funds	(146,423,937)	(8,018,869)
<b>Cash flows related to the operating activities</b>		
Dividend paid	(206,765)	--
Dividend received	9,932	--
Interest received	7,556,633	1,925,481
Employee benefits paid	(9,210)	(12,474)
<b>Net cash from operating activities</b>	<b>(69,580,449)</b>	<b>56,503,903</b>
<b><u>Cash flows used in investing activities</u></b>		
Cash payments for acquisition of tangible assets	(468,642)	(945,704)
Cash payments for acquisition of intangible assets	(213,772)	(10,486)
Cash paymets for investment property	(20,544,692)	(145,048,517)
Cash inflow from the sale of investment property	18,000,000	24,565
Commissions paid	(158,179)	(13,867)
<b>Net cash used in investment activities</b>	<b>(3,385,285)</b>	<b>(145,994,009)</b>

# HALK REAL ESTATE INVESTMENT TRUST, INC

<b>STATEMENT OF CASH FLOW(continue...)</b>	<b>Audited</b>	<b>Restated Audited*</b>
	<b>1 January – 31 December 2013</b>	<b>1 January – 31 December 2012</b>
<b><u>Cash flows from financing activities</u></b>		
Cash received from issuing own shares	250,425,000	--
Expenses related to new shares issues	(24,809,533)	--
Public offering expenses	(8,847,688)	--
Proceeds from the borrowings	--	68,000,000
Repayment of borrowings	(69,289,518)	(1,804,665)
Interest paid	(9,093,392)	(3,074,864)
<b>Net cash provided from financing activities</b>	<b>138,384,869</b>	<b>63,120,471</b>
<b>Net increase /(decrease) in cash and cash equivalents before the effect of foreign currency conversion adjustments</b>	<b>65,419,135</b>	<b>(26,369,635)</b>
The effect of foreign currency conversion adjustments in cash and cash equivalents	6,726	205
<b>Net increase /(decrease) in cash and cash equivalents</b>	<b>65,425,861</b>	<b>(26,369,430)</b>
Cash and cash equivalents at the beginning	6,476,662	32,846,092
<b>Cash and cash equivalents at the period end</b>	<b>71,902,523</b>	<b>6,476,662</b>

# HALK REAL ESTATE INVESTMENT TRUST, INC

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**NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2013**  
*(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)*

# HALK REAL ESTATE INVESTMENT TRUST, INC

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## 1. REPORTING ENTITY

Halk Gayrimenkul Yatırım Ortaklığı AŞ's (the "Company") main activity is to invest in properties, property projects and property related capital market instruments. In accordance with the relevant article of the Capital Markets Board of Turkey's ("CMB") Communiqué on the Principles of Real Estate Investment Trusts, the main objective of the Company is to invest in properties, property projects and property related capital market instruments.

Basis of operations of the Company are consistent with the regulatory requirements of CMB on the Principles of Real Estate Investment Trusts. Investment property portfolio of the Company consists of lands and rental properties which are used as bank branches and head office. The Company obtained the authorisation to operate by CMB's document dated 24 September 2010 and numbered 9546 and registered by CMB.

The Company was established on 18 October 2010. Registered capital ceiling of the Company is TL 1,500,000,000. Paid in capital of the Company is TL 662,500,000. TL 196,217,979 of the total paid in capital was paid in cash whereas TL 466,282,021 of the total paid in capital was paid in kind.

The headquarter of the Company is registered in Şerifali Çiftliği Tatlısu Mah. Ertuğrulgazi Sok. No:1 34774 Yukarı Dudullu Ümraniye/İstanbul. The number of personnel employed in the Company as at 33 December 2013 is 31 (31 December 2012: 22).

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 3 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 CMB by 29 August 2012 for the purpose of initial public offering of the increasing amount of B group of shares TL 185,500,000 national amount which is increased from TL 477,000,000 issued capital of the Company to TL 662,500,000 within TL 1,500,000,000 registered capital ceiling. Application was approved in accordance with the decision promulgated by CMB's numbered 4/97 on 8 February 2013.

As at 13-15 February 2013 there has been an initial public offering of B group shares of TL 185,500,000 notional amount by restricting the existent shareholders for purchasing the new shares. After the collecting the demand the Company's shares started to trade on Borsa İstanbul at 22 February 2013. As at 20 July 2013 the Company hold stock split with an amount of TL 11,138,704 from retained earnings, share capital increased to TL 673,638,704.

# HALK REAL ESTATE INVESTMENT TRUST, INC

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## 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.1. Basis of presentation

#### 2.1.1. *Statement of compliance*

The accompanying financial statements have been prepared in accordance with the accounting and reporting principles issued by CMB. The Company prepared the financial statements as at and for the year ended 31 December 2013 in accordance with the Communiqué Serial Number II, No: 14.1, “Communiqué of Financial Reporting in Capital Markets” (“Communiqué”).

The Company applies to the Turkish Accounting Standards / Turkish Financial Reporting Standards with related additions and interpretations (“TAS/TFRS”) issued by Public Oversight Accounting and Auditing Standards Boards (the “POAASB”) according to Communiqué 5.

As at 31 December 2013, financial statements of the Company have been approved by the Board of Directors of the Company on 30 January 2014. The General Assembly and related institutions have the authorisation to revise these financial statements and statutory financial statements.

#### **Additional paragraph for convenience translation to English**

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries.

#### 2.1.2. *Basis of presentation of financial statements*

The accompanying financial statements have been prepared in accordance due to “Announcement on Financial Statements and Footnot Formats” of CMB dated 7 June 2013.

#### 2.1.3. *Functional and presentation currency*

These financial statements are presented in Turkish Lira (“TL”), which is the Company’s functional currency. All financial information is presented in TL unless otherwise stated.

#### 2.1.4 *Changes in accounting policies*

Except for the new standards summarised below, the accounting policies applied for the year ended 31 December 2012 have been applied consistently for the year ended 31 December 2013 in preparing these financial statements.

The material changes in accounting policies are applied on a retrospective basis and the comparative financial statements have been restated where applicable. The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

## HALK REAL ESTATE INVESTMENT TRUST, INC

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- TFRS 13 *Fair Value Measurement* (see note (i))
- TAS 1 *Presentation of Financial Statements* (Amendments) (see note (ii))
- TAS 19 *Employee Benefits* (2011) (see note (iii))

The nature and effects of the changes are explained below.

(i)

### ***Fair Value Measurement***

TFRS 13 *Fair Value Measurement* establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other TFRSs.

It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other TFRSs, including TFRS 7 *Financial Instruments: Disclosures*.

In accordance with the transitional provisions of TFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

(ii)

### ***Presentation of items of other comprehensive income***

As a result of the amendments to TAS 1, the Company has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

The amendments to TAS 1 had no significant impact on the profit or loss and other comprehensive income and assets and liabilities.

(iii)

### ***Employee benefits***

As a result of the amendments to TAS 19 (2011), all actuarial gains and losses are recognised in other comprehensive income.

Prior to these amendments, all actuarial gains and losses had been recognised in profit or loss. As the amendments had no significant impact the comparative financial statements for the year ended 31 December 2012 have not been restated.

(iv)

### ***Changes in the format requirements of the financial statements***

New financial statements and footnot formats within the context of CMB Financial Reporting Standards are published in dated 7 June 2013 and numbered 2013/19 CMB Bulletin in accordance with the decision in the meeting held dated 7 June 2013 and numbered 20/670.

## HALK REAL ESTATE INVESTMENT TRUST, INC

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The Company's accompanying comparative financial statements as at 31 December 2012 are reclassified as below described due to new formats;

Short term unearned revenue classified on "Other short term liabilities due to related parties" amounting to TL 11,153,400 on the financial statements as at 31 December 2012 and long term unearned revenue and advances taken classified on "Other long term liabilities due to related parties" are amounting to TL 51,191,153 reclassified to "deffered income" in the comparative financial statements.

Short term prepaid expenses classified on "other current assets" amounting to TL 1,333,255 on the financial statements as at 31 December 2012 is reclassified to "prepaid expenses" in the comparative financial statements.

Income from financial assets at fair value through profit or losses amounting to TL 201,986, and interest income from time deposits amounting to TL 1,659,777 on the financial statements as at 31 December 2012 are classified to "revenue-deposit interest income" in the comparative financial statements.

Commission expense amounting TL 13,867 and financial assets at fair value through profit and loss amounting TL 50,335 on the financial statements as at 31 December 2012 are classified on "financial expenses" and are classified to cost of debt instruments in "cost of sales" in the comparative financial statements.

Foreign exchange gain classified on "financial income" amounting TL 33,843 on the financial statements as at 31 December 2013 is reclassified to "other operating income" in the comparative financial statements

Foreign exchange loss classified on "financial expenses" amounting TL 18.067 on the financial statements as at 31 December 2013 is reclassified to "other operating loss" in the comparative financial statements.

"Financial expense / (income), net" amounting to TL 6,183,539 classified on the statement of cash flows as at 31 December 2012, is reclassified to "adjustments to interest income and interest expense" amounting to TL 6,167,763 and "adjustments to fair value loss / profit" amounting to TL 15,776 in the comparative financial statements.

"Cash flow from investing activities-interest received" amounting to TL 1,925,481 on the statement of cash flows as at 31 December 2012 is reclassified to "cash flows from operating activities-interest received" in the comparative financial statements.

"Cash flow from financing activities-interest paid" amounting to 30,338 TL on the statement of cash flow as at 31 December 2012 is reclassified to "Cash flow from operating activities-commissions paid" in the comparative financial statements.



# HALK REAL ESTATE INVESTMENT TRUST, INC

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## **2.1.5. Control of compliance with restrictions on the investment portfolio**

As at 31 December 2013, the information in “Control of compliance with restrictions on the investment portfolio” note are summary information prepared from financial statements which are presented within the framework Communiqué II.14.1 in accordance with the accounting and reporting principles accepted by the CMB and published in the Official Gazette dated 28 May 2013 numbered 28660, numbered III-48.1 “Communiqué on Real Estate Investment Basis” related to control of compliance with restrictions on the investment portfolio.

“Control of compliance with restrictions on the investment portfolio” is prepared from attached financial statements.

## **2.2. Changes in accounting estimates and errors**

Changes in accounting estimates, if only for one period, are made in the current period, if it is related to future periods, by covering future periods, are applied prospectively. There is no change in estimates in the current period. Material errors are corrected, retrospectively; restating the prior year financial statements. There is no material errors discovered in the current period.

## **2.3 New standards and interpretations implemented and not yet adopted as at 31 December 2013**

### **2.3.1. New standards and interpretations implemented as at 31 December 2013**

The Company has applied all the standards and interpretations issued by the POAASB which are effective as at 31 December 2013.

### **2.3.2 New standards and interpretations not yet adopted as at 31 December 2013**

There have been new standards and interpretations not yet adopted to the accompanying financial statements as at 31 December 2013. None of these standards and interpretations is expected to have significant effects on the financial statements.

## **2.4 Summary of significant accounting policies**

Significant accounting policies applied during the preparation of the financial statements are summarised as follows.

### **2.4.1 Revenue and expenses**

Revenue is recognised when there is a possibility of providing economic revenue and when it is possible to measure the revenue in a reliable manner. In order to recognise revenue below mentioned conditions should have been formed.

#### **Rental income from investment property**

Rent income from investment properties are recognised on accrual basis. Revenue is recognised when there is a possibility of economic benefits will flow to the entity and when it is possible to measure the revenue reliably. The rental income in which important portion of owner’s risks and rewards are transferred to the leaseholder is classified as financial lease. All other leases are classified as operating leases.

## **HALK REAL ESTATE INVESTMENT TRUST, INC**

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### **Sale of lands**

Revenue is recognised when all significant risks and rewards regarding the lands are transferred to the buyer and the amount of revenue can be measured reliably.

### **Sales of land by way of LSRSA**

The Company recognizes revenue from the sale of land by the way 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 revenue as deferred income and share of construction entity as liability to contractor. The Company’s share in Total Sales Revenue (“TSR”), is recorded as revenue from sale of land and related cost is recognised as cost of land sold into the comprehensive income statement.

#### *Revenue*

Revenues consist of rental income from real estate, real estate sales revenue and income from capital market instruments. Rental income recorded on an accrual basis and the income from capital market instruments recorded as in accordance with the accounting policies disclosed in Note 2.4.7.

#### *Sales income*

Revenue is recognised when the significant risks and rewards of ownership of the investment property are transferred to the buyer and the amount is reliably measured. Revenue is recognised when and only when the Company transfers the significant risks and rewards of ownership of the goods to the buyer, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue and cost of sales are recognised once the sales contracts of the projects are in line with the above stated criteria.

#### *Interest income*

Interest income is recognised in profit or loss on accrual basis.

#### *Other income and expense*

Other income and expense is recognised in profit or loss on accrual basis.

#### *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. Finance income earned from project loans of which has not been used as an investment for a temporary period are net off with the borrowing costs. All other borrowing costs are recognised in profit or loss in the period which they are incurred.

## HALK REAL ESTATE INVESTMENT TRUST, INC

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### **2.4.2 Investment property**

Investment property are those which are held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost less accumulated depreciation and impairment, if any.

Depreciation is recognised on a straight-line basis over the useful lives of the investment property. Except land, the expected useful life of investment property is 50 years.

Since the useful life of land is indefinite, it is not subject to depreciation.

Expenditures incurred to replace a component of investment property that is accounted for separately, including major inspection and overhaul costs, are capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of investment property. All other expenditures are recognised in the income statement as expense as incurred.

Investment property is recognised when it is probable that the future economic benefits that are associated with them will flow to the Company and the cost of them can be measured reliably.

### **2.4.3 Inventories**

Inventories are measured at the lower of cost and net realizable value. As at 31 December 2013, cost components included in the inventory consist of the land cost which is to held for sale of the residence project by the Company.

The Company enters into revenue sharing agreements with construction entities in order to increase sales proceeds from the sales of vacant lands. These lands which subject to revenue sharing agreements (“LSRSA”) are accounted at cost until the sale is recognised. Sale is recognised when risk and rewards of ownership of land is transferred to the ultimate customers (customers of the construction entities) and when the sales proceeds are reliably determinable.

### **2.4.4 Tangible assets**

All tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses.

#### *Depreciation*

Depreciation is recognised on a straight-line basis over the useful lives of the property, plant and equipment from the date of acquisition. The expected useful life of furniture and fixtures is 5 years. The useful life of leasehold improvements, accounted under tangible assets, is equal to life of rent agreements.

#### *Subsequent expenditure*

Expenditures incurred to replace a component of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognised in profit or loss as expense as incurred. The gain or loss arising on the disposal or retirement of an item of tangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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### 2.4.5. *Intangible assets*

All intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

#### *Amortization*

Amortization is recognised on a straight-line basis over the useful lives of intangible assets. The expected useful life of licence rights is between 4-10 years.

### 2.4.6. *Impairment of assets*

The Company determines whether there are any indicators for impairment at every reporting date. In the case of an indicator, the recoverable value of that asset is estimated. Where 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.

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.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

### 2.4.7. *Financial instruments*

The Company has the following financial assets; cash and cash equivalents, financial investments and trade receivables; and has the following financial liabilities; loans and borrowings and trade payables.

#### **i) Non-derivative financial assets**

The Company initially recognises the financial assets on the date they are originated.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below: The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial asset that is created or retained by the Company is recognized as a separate asset or liability.

#### *Cash and cash equivalents*

Cash and cash equivalents are comprised of cash, bank deposits with maturity periods of less than three-months and other highly liquid short-term investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. The carrying values of these assets are close to their fair values.

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are comprised of bank bonds and equity securities. The carrying amounts of financial assets reflect their fair values.

#### *Available for sale financial assets*

## HALK REAL ESTATE INVESTMENT TRUST, INC

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Available for sale financial assets are the financial assets other than assets held for trading purposes, financial assets at fair value through profit or loss, held to maturity financial assets and loans and receivables.

Consecutive valuation of marketable securities is applied on the basis of market values. Unless market values are determined creditably, they increase in value by using veridical value pricing models or discounted cash flow methods. Unrealized profits and losses defining the difference between amortized costs arising from changes on fair values and calculated through effective interest method of securities; and fair values of marketable securities are shown under the account of "Other Cumulative Comprehensive Incomes reclassified in Profit and Loss" within the equity component. In case of disposal of marketable securities, value increasing in equity component is reflected to profit/ loss of the period as a result of veridical value adjustment.

### *Held to maturity financial assets*

Held to maturity financial assets comprise of credits retained due to storage until the date by providing required situations in order to retain until the due date including funding ability with fixed or determinable payments, fixed due date and bank-driven credits; and financial assets except liabilities. Securities that will be retained until the date are subjected to increase in value with discounted costs by using internal rate of return method and if available, provisions are made for value decrement.

### *Trade and other receivables*

Trade and other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial assets are measured at amortised cost using the effective interest method. Expectation is made for provision for doubtful receivable in case of collection is not probable. Doubtful receivables are recognised when identified.

## **ii) Non-derivative financial liabilities**

### *Financial liabilities*

Financial liabilities are recognized with fair values in initial registration date. Financial liabilities are registered with their acquisition costs including transaction costs and evaluated through amortized costs depending on the method of active interest rate. In case of enforcing, cancelling or abolishing the obligations based on the agreement; the Company deducts aforesaid financial obligations from registrations.

### *Trade and other payable*

Trade and other payable are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

## **iii) Paid-in capital**

### *Ordinary shares*

Ordinary shares are classified as paid in capital. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

## HALK REAL ESTATE INVESTMENT TRUST, INC

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### **2.4.8** *Offsetting*

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **2.4.9** *Effects of foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates on the dates of the transactions. The Company's financial statement and operation results are presented in TL which is effective currency and presentation currency of the Company.

The Company uses the Central Bank buying rates of exchange that is valid at the transaction date, when converting the transactions made by foreign currency Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency at the exchange rate on that date. Foreign currency differences arising on retranslation are recognised in profit or loss.

### **2.4.10** *Earnings per share*

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. In Turkey, companies to existing shareholders from retained earnings and shareholders' equity, shares distributing shares ("bonus shares") may increase their capital. In case of calculation of earnings per share, this export of bonus share is accepted as issued shares. Therefore average of weighted number of shares used in calculation of earnings per share is provided by applying issued of bonus share retrospectively.

### **2.4.11** *Subsequent events*

Subsequent events represent the events that occur against or on behalf of the Company between the reporting date and the date when reporting was authorised for the issue. There are two types of subsequent events:

- those that provide evidence of conditions that existed as at reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If there is evidence of such events as of reporting date or if such events occur after reporting date and if adjustments are necessary, the Company's financial statements are adjusted according to the new situation. The Company discloses the post-balance sheet events that are not adjusting events but material.

### **2.4.12** *Provisions, contingent liabilities and contingent assets*

A provision is recognised when the Company has a present implicit or legal obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the notes.

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If the inflow of economic benefits is probable, contingent assets are disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur, such asset and income statement effect are recognised in the financial statements at the relevant period that income change effect occurs.

### **2.4.13. Related parties**

Shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Transactions with the related parties consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

### **2.4.14 Segment reporting**

The Company operates solely as real estate investments trust therefore segment information is not presented.

### **2.4.15. Discontinued operations**

None.

### **2.4.16. Government grants and incentives**

As disclosed in Note 2.4.17, the Company which operates as a real estate investment trust, is exempt from corporate tax.

### **2.4.17. Taxation**

#### *Corporate income tax*

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

According to New 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/(34). In accordance with New Corporate Tax Law Article 15/(2), income subject to corporate tax is also exempt from withholding tax.

According to temporary Article (1) of the New 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 New 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 New Corporate Tax Law, real estate investment company 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 Article 5 of the Corporate Tax Law, deferred tax is not recognised.

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### ***2.4.18. Employee benefits / reserve for employee severance indemnity***

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

The provision for employee severance indemnity has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

### ***2.4.19. Statement of cash flows***

The Company presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new condition

## **2.5 Significant Accounting Estimations, Presumption and Assumptions**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant accounting estimates used are described in the following notes:

Note 9 Investment Properties



## HALK REAL ESTATE INVESTMENT TRUST, INC

### 3. RELATED PARTY DISCLOSURES

#### 3.1 Due from / to related parties

	31 December 2013	31 December 2012
<b><i>Banks-Demand deposits</i></b>		
Halkbank	6,265	34,701
<b><i>Banks-Time deposits</i></b>		
Halkbank	70,839,906	6,382,257
<b><i>Banks-Other liquid assets</i></b>		
Halkbank	67,960	60,510
<b><i>Bank Bond-Financial Investments</i></b>		
Halkbank	67,321,529	
<b>Total</b>	<b>138,235,660</b>	<b>6,477,468</b>
<b><i>Prepaid expenses</i></b>		
T.Halk Bankası Spor Kulübü	289,835	290,411
Halk Sigorta AŞ	119,053	106,385
Halk Hayat ve Emeklilik AŞ	2,729	1.899
Halk Yatırım Menkul Değerler AŞ	--	412,500
<b><i>Other current assets</i></b>		
Halk Yatırım Menkul Değerler AŞ	359	--
<b>Total</b>	<b>411,976</b>	<b>811,195</b>
<b><i>Financial borrowings</i></b>		
Halkbank –short term	3,325,159	21,081,080
Halkbank –long term	15,212,501	73,121,272
<b>Total</b>	<b>18,537,660</b>	<b>94,202,352</b>
<b><i>Due to related parties</i></b>		
Halk Sigorta AŞ	100,383	69,750
Halk Yatırım Menkul Değerler AŞ	5,900	29,500
Halk Portföy Yönetimi AŞ	11,593	--
<b>Total</b>	<b>117,876</b>	<b>99,250</b>
<b><i>Short term deferred income</i></b>		
Halkbank	11,153,400	11,153,400
<b>Total</b>	<b>11,153,400</b>	<b>11,153,400</b>
<b><i>Long term deferred income</i></b>		
Halkbank	2,788,350	13,941,750
<b>Total</b>	<b>2,788,350</b>	<b>13,941,750</b>

## HALK REAL ESTATE INVESTMENT TRUST, INC

### 3.2 Income and expenses from related parties

	1 January – 31 December 2013	1 January – 31 December 2012
<b><i>Rent income</i></b>		
Halkbank	26,317,524	23,003,406
Halk Faktoring A.Ş.	640,086	234,000
Halk Yatırım Menkul Değerler AŞ	178,318	186,602
Emekli Sandığı	85,374	78,957
Halk Sigorta AŞ	73,853	87,317
Halk Hayat ve Emeklilik AŞ	73,853	52,629
<b>Total</b>	<b>27,369,008</b>	<b>23,642,911</b>
<b><i>Interest income</i></b>		
Halkbank Time Deposit Interest Income	7,746,041	1,590,219
Halkbank Financial Investment Interest Income	1,271,025	--
Halk Yatırım	--	16,103
<b>Total</b>	<b>9,017,066</b>	<b>1,606,322</b>
<b><i>Interest expense</i></b>		
Halkbank	(4,182,463)	(7,996,876)
<b>Total</b>	<b>(4,182,463)</b>	<b>(7,996,876)</b>
<b><i>Commission expense</i></b>		
Halk Portföy Yönetimi AŞ	(113,987)	(13,867)
<b>Total</b>	<b>(113,987)</b>	<b>(13,867)</b>
<b><i>Other expenses</i></b>		
T.Halk Bankası Spor Kulübü	(500,576)	(209,589)
Halk Sigorta AŞ	(148,716)	(96,722)
Halk Hayat ve Emeklilik AŞ	(13,156)	(35,865)
Halkbank	(17,205)	(364)
Halk Yatırım Menkul Değerler AŞ	(32,500)	--
<b>Total</b>	<b>(712,153)</b>	<b>(342,540)</b>

For the years ended 31 December 2013 and 2012 the significant portion of the revenue comprised the rent and interest income from the related parties.

For the years ended 31 December 2013 and 2012 and 2012, interest income is income originated from term deposits and interest expenses is originated from credit interest rates.

For the year ended 31 December 2013, total benefit which has been provided to Company's top executives is amounting to TL 931,850 (31 December 2012: 502,271 TL).

## HALK REAL ESTATE INVESTMENT TRUST, INC

### 4. CASH AND CASH EQUIVALENTS

As at 31 December 2013 and 31 December 2012, cash and cash equivalents are as follows:

	31 December 2013	31 December 2012
Banks-Demand deposits	6,465	34,701
Banks-Time deposits	70,839,906	6,382,257
Reverse repo	1,255,000	--
Other liquid assets <sup>(1)</sup>	67,960	60,510
<b>Cash and cash equivalents in the statement of financial position</b>	<b>72,169,331</b>	<b>6,477,468</b>
Interest income accruals on cash equivalents	(266,808)	(806)
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>71,902,523</b>	<b>6,476,662</b>

<sup>(1)</sup> As at 31 December 2013 and 31 December 2012, other liquid assets consist of credit card receivables from sales of residential unit of Bakırköy Project.

As at 31 December 2013 and 31 December 2012, the details of time deposits at banks, government bonds and reverse repo are as follows:

31 December 2013	Amount	Nominal Interest rate (%)	Maturity
<b><u>Time Deposit</u></b>			
TL	7,451,503	5.00%-8.85%	2 January 2014
TL	7,266,945	8.85%	9 January 2014
TL	4,782,675	9.0% -9.15%	16 January 2014
TL	6,035,701	9.15%-9.25%	23 January 2014
TL	2,202,339	9.70%	28 January 2014
TL	3,014,445	%9.25%	30 January 2014
TL	37,134,459	%9.70%	3 February 2014
TL	2,951,839	%9.70%	11 February 2014
Reverse repo (TL)	1,255,000	4.50%-7.04%	2 January 2014
<b>Total</b>	<b>72,094,906</b>		

## HALK REAL ESTATE INVESTMENT TRUST, INC

31 December 2012	Amount	Nominal Interest rate (%)	Maturity
<b>Time Deposit</b>			
TL	4,890,000	5.10%	7 January 2013
TL	1,116,451	5.00%	2 January 2013
TL	275,806	8.25%	21 January 2013
TL	100,000	2.50%	2 January 2013
<b>Total</b>	<b>6,382,257</b>		

### 5. FINANCIAL INVESTMENTS

As at 31 December 2013 and 31 December 2012, the Company's all of the financial investments comprise of financial assets at fair values through profit and loss and available for sale financial assets, the details of financial investments are as follows:

	Cost	Carrying amount	Maturity	Interest rate (%)
<b>31 December 2013</b>				
<i>Short term financial investments</i>				
<i>Available for sale financial assets</i>				
Government Bonds	15,999,851	15,875,755	5 March 2014	7.40%
Government Bonds	1,416,795	1,467,555	9 April 2014	8.54%
Government Bonds	1,519,740	1,507,479	24 September	8.72%
Government Bonds	5,741,280	5,791,423	1 October 2014	8.30%
<b>Total</b>	<b>24,677,666</b>	<b>24,642,212</b>		
<i>Financial assets at fair value through profit and loss</i>				
Government Bonds	6,575,500	6,532,736	24 September 2014	7.50%
Government Bonds	4,511,646	4,500,321	7 January 2015	6.50%
Share Certificates	1,273,830	988,873	--	--
<b>Total</b>	<b>12,360,976</b>	<b>12,021,930</b>		
<i>Held to Maturity Financial Asset</i>				
Bank Bond	67,321,216	67,321,529	20 June 2014	9.58%
Bank Bond	200,000	202,340	2 May 2014	8.34%
<b>Total</b>	<b>67,521,216</b>	<b>67,523,869</b>		
<b>Total short term financial investment</b>	<b>104,559,858</b>	<b>104,188,011</b>		
<b>Total financial investments</b>	<b>104,559,858</b>	<b>104,188,011</b>		

## HALK REAL ESTATE INVESTMENT TRUST, INC

	Cost	Carrying amount	Maturity	Interest rate (%)
<b>31 December 2012</b>				
<i>Short term financial investments</i>				
<i>Financial assets at fair value through profit and loss</i>				
Bank Bonds	149,625	153,334	1 November-2013	8.4
<b>Total</b>	<b>149,625</b>	<b>153,334</b>		

### 6. TRADE RECEIVABLES AND PAYABLES

#### Trade receivables

The company's short term trade receivables consist of notes received from sale of residential units at Bakirköy Project amounting to TL 12,069,703 (31 December 2012: TL 5,596,148)

The company's long term trade receivables consist of notes received from sale of residential units at Bakirköy Project amounting to TL 2,504,285 (31 December 2012: TL 5,454,022).

#### Trade Payables

As at 31 December 2013 and 31 December 2012, the details of loans and borrowings are as follows:

#### *Short-term trade payables*

	31 December 2013	31 December 2012
Due to related parties (Note 3)	117,876	99,250
Other trade payables <sup>(1)</sup>	2,264,030	739,293
<b>Total</b>	<b>2,381,906</b>	<b>838,543</b>

<sup>(1)</sup> Other trade payables of the company consist of payables amounting to TL 1,647,980 for payment of Kocaeli Şekerpinar Project subcontractor and payables to other miscellaneous trade payables amounting to TL 733,926.

#### *Long term trade payables*

As at 31 December 2013, The Company has no long term trade payables (31 December 2012: None).

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### 7. INVENTORIES

As at 31 December 2013 and 31 December 2012, inventories are as follows:

Land stocks	31 December		31 December	
	2012			2013
	Cost	Addition	Disposal	Cost
İstanbul Bakırköy Arsası – Residential Buildings (1)	31,765,625	--	--	31,765,625
Eskişehir- Odunpazarı Arsası – Residential Buildings (2)	--	13,203,845	--	13,203,845
<b>Total</b>	<b>31,765,625</b>	<b>13,203,845</b>	<b>--</b>	<b>44,969,470</b>

(1) The Company has arranged a bid to develop a project on Bakırköy Land as LSRSA and as a consequence signed a contract with a firm on February 17, 2012. Due to the agreement, the contractor is obliged to finish construction on February 19, 2014. Transfers of land registry of stand alone unit sales will be start as at 2014.

There are restrictions on the 57 residential units which are signed sales agreements under loan agreements of different financing institutions amounting to TL 26,247,025 (31 December 2012: TL 8,650,150) of agreement sales price.

Company has received an advance payment from subcontractor due to agreement ongoing project related with LSRSA amounting to TL 18,100,000 and TL 100,000 respectively on February 17, 2012 and March 1, 2013. The Company's projected land cost is TL 31,765,625.

(2) Eskişehir Odunpazarı Land is registered to Odunpazarı/Eskişehir neighbourhood with 1452 block 89 plot and 90 plot. It has place 13,073 m<sup>2</sup>. Eskişehir Odunpazarı Land is registered to 110 plot with change at the partition plan at 22 March 2013. The Company has acquired the plot belongs to Eskişehir Municipality within new 110 plot cost value of TL 668,000 at 22 March 2013 and registered previously named 89 plot and 90 plot as 110 plot. Due to new partition plan investment property is entrusted from 13,073 m<sup>2</sup> registered as 9,811 m<sup>2</sup>. After entrusting, description of the plot has changed to land from factory building.

There is no restriction on the land stock. It was decided to develop residential project on the land, and the arrangement of the ground has begun.

## HALK REAL ESTATE INVESTMENT TRUST, INC

### 8. DEFERRED INCOME

As at 31 December 2013 and 31 December 2012, the details of short and long term deferred income is as follow:

	31 December 2013	31 December 2012
Deferred residential sale income (1)	66,047,643	--
Advances taken from subcontractors (2)	18,200,000	--
Deferred rental income (3)	11,153,400	11,153,400
<b>Total short term deferred income</b>	<b>95,401,043</b>	<b>11,153,400</b>
	31 December 2013	31 December 2012
Deferred residential sale income (1)	--	19,149,403
Advances taken from subcontractors (2)	--	18,100,000
Deferred rental income (3)	2,788,350	13,941,750
<b>Total long term deferred income</b>	<b>2,788,350</b>	<b>51,191,153</b>
<b>Total deferred income</b>	<b>98,189,393</b>	<b>62,344,553</b>

<sup>(1)</sup> Deferred residential unit sale income consist of TL 60,548,984 provided by sales of residences from LSRSA project realized on an estate located in Bakirkoy and TL 5,498,659 provided by sales of residence project realized from Eskisehir- Odunpazarı Project Deferred residential unit sale income consists of balances in according to sales on LSRSA project. Due to the contract %50.5 revenue from sales is collected by the Company. As at 31 December 2013, TL 117,424,134 sale is actualized and payment was made to subcontractor at amount progress portion.

<sup>(2)</sup> The advances taken amountrelated with the project of "Land Sale of Revenue Sharing Agreement" on Bakirkoy land.

<sup>(3)</sup> The related advance amount belongs to rent income of Ataşehir Finans Plaza rented by Halkbank.It consists of long term deferred rent income amounting to TL 2,788,350 TL (31 December 2012: TL 13,941,750 ) and short term deferred rent income amounting to TL 11,153,400 TL (31 December 2012: TL 11,153,400 )

### 9. INVESTMENT PROPERTY

As at 31 December 2013 and 31 December 2012, the details of investment property are as follow:

	31 December 2013	31 December 2012
Buildings	325,941,485	335,496,712
Investment property under construction	289,804,038	276,503,666
<b>Total</b>	<b>615,745,523</b>	<b>612,000,378</b>

Insurance amount on investment properties as at 31 December 2013 is TL 140,518,158 TL(31 Aralık 2012:116,253,225 TL).

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As at 31 December 2013, investment property movement is as follows:

Investment property	Cost at 31 December 2012	Addition	Disposal	Cost at 31 December 2013	Amortisation as at 31 December 2012	Addition	Disposal	Amortisation as at 31 December 2013	Net Book Value as at 31 December 2013
Istanbul Karaköy Building	23,500,000	--	--	23,500,000	83,601	38,383	--	121,984	23,378,016
Istanbul Salıpaazarı Building	22,000,000	--	--	22,000,000	150,372	69,039	--	219,411	21,780,589
İzmir Konak Building-1	13,400,000	--	--	13,400,000	139,642	64,682	--	204,324	13,195,676
Ankara Kızılay Building	12,475,237	--	--	12,475,237	69,665	31,985	--	101,650	12,373,587
Istanbul Beyoğlu Building	12,000,000	--	--	12,000,000	29,009	13,319	--	42,328	11,957,672
Istanbul Beşiktaş Building	11,893,840	--	--	11,893,840	38,306	17,587	--	55,893	11,837,947
Istanbul Etiler Building	11,000,000	--	--	11,000,000	26,621	12,222	--	38,843	10,961,157
Istanbul Şişli Building	11,000,000	--	--	11,000,000	83,190	38,194	--	121,384	10,878,616
İzmir Konak Building-2	10,290,000	--	--	10,290,000	59,138	27,392	--	86,530	10,203,470
Ankara Başkent Building	9,541,729	--	--	9,541,729	42,396	19,465	--	61,861	9,479,868
Istanbul Bakırköy Building	9,023,500	--	--	9,023,500	40,678	18,676	--	59,354	8,964,146
Bursa Building	8,500,000	--	--	8,500,000	48,481	22,241	--	70,722	8,429,278
İzmir Karşıyaka Building	8,425,000	--	(8,425,000)	--	30,317	13,462	(43,779)	--	--
Ankara Bahçelievler Building 1	6,681,356	--	--	6,681,356	62,866	28,824	--	91,690	6,589,666
Kocaeli Building	6,519,193	--	--	6,519,193	29,622	13,721	--	43,343	6,475,850
Istanbul Fatih Building	6,380,000	--	--	6,380,000	50,532	23,200	--	73,732	6,306,268
Istanbul Caddebostan Building	6,300,000	--	--	6,300,000	140,509	65,083	--	205,592	6,094,408
Sakarya Adapazarı Building	5,960,000	--	--	5,960,000	31,946	14,667	--	46,613	5,913,387
Ankara Bahçelievler Building 2	5,684,746	--	--	5,684,746	20,811	9,557	--	30,368	5,654,378
Istanbul Ataköy Building	5,061,500	--	--	5,061,500	40,127	18,405	--	58,532	5,002,968
Istanbul Nişantaşı Building	5,000,000	--	--	5,000,000	14,477	6,705	--	21,182	4,978,818
Ataşehir Finans Plaza	126,548,795	--	--	126,548,795	455,878	607,197	--	1,063,075	125,485,720
<b>Buildings total</b>	<b>337,184,896</b>	<b>--</b>	<b>(8,425,000)</b>	<b>328,759,896</b>	<b>1,688,184</b>	<b>1,174,006</b>	<b>(43,779)</b>	<b>2,818,411</b>	<b>325,941,485</b>
Levent Otel Project (a)	28,155,949	9,889,339	--	38,045,288	--	--	--	--	38,045,288
Istanbul Ataşehir Land (d)	233,032,598	6,394,455	--	239,427,053	--	--	--	--	239,427,053
Eskişehir- Odunpazarı Land (b)	5,318,788	--	(5,318,788)	--	--	--	--	--	--
Kocaeli Şekerpınar Land (c)	9,996,331	2,335,366	--	12,331,697	--	--	--	--	12,331,697
<b>Total investment property under construction</b>	<b>276,503,666</b>	<b>18,619,160</b>	<b>(5,318,788)</b>	<b>289,804,038</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>289,804,038</b>
<b>Total investment property</b>	<b>613,688,562</b>	<b>18,619,160</b>	<b>(13,743,788)</b>	<b>618,563,934</b>	<b>1,688,184</b>	<b>1,174,006</b>	<b>(43,779)</b>	<b>2,818,411</b>	<b>615,745,523</b>

(a) Due to Otel Project on Levent Land, architectural and engineering expenses amounting to TL 8,037,476, public duties amounting to TL 1,018,978 and project management expenses amounting to TL 450,269 and other expenses amounting to TL 382,616 are capitalized on the cost of land.

(b) Adjacent plate of Eskişehir- Odunpazarı Land is a residential project for sale. And the related amount reclassified to stock account.

(c) Due to planned banking base on Kocaeli Şekerpınar Land, architectural and engineering expenses amounting to TL 1,997,876 , public duties amounting to TL 206,250 and other expenses amounting to TL 131,240 are capitalized on the cost of land.

(d) Project on Istanbul Atasehir Land, architectural and engineering expenses amounting to TL 5,608,756, public duties amounting to TL 355,847 and other expenses amounting to TL 429,852 are capitalized on the cost of land.



# HALK REAL ESTATE INVESTMENT TRUST, INC

As at 31 December 2012, investment property movement is as follows:

Investment property	Cost at 31 December 2011	Addition	Disposal	Cost at 31 December 2012	Amortisation as at 31 December 2011	Addition	Disposal	Amortisation as at 31 December 2012	Net Book Value as at 31 December 2012
İstanbul Ataşehir Land	229,846,920	--	(229,846,920)	--	--	--	--	--	--
İstanbul Bakırköy Land (a)	31,765,625	--	(31,765,625)	--	--	--	--	--	--
<b>Total Lands</b>	<b>261,612,545</b>	<b>--</b>	<b>(261,612,545)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
İstanbul Karaköy Building	23,500,000	--	--	23,500,000	45,113	38,488	--	83,601	23,416,399
İstanbul Salıpazarı Building	22,000,000	--	--	22,000,000	81,144	69,228	--	150,372	21,849,628
İzmir Konak Building -1	13,400,000	--	--	13,400,000	74,783	64,859	--	139,642	13,260,358
Ankara Kızılay Building	12,475,237	--	--	12,475,237	37,593	32,072	--	69,665	12,405,572
İstanbul Beyoğlu Building	12,000,000	--	--	12,000,000	15,654	13,355	--	29,009	11,970,991
İstanbul Beşiktaş Building	11,893,840	--	--	11,893,840	20,671	17,635	--	38,306	11,855,534
İstanbul Etiler Building	11,000,000	--	--	11,000,000	14,365	12,256	--	26,621	10,973,379
İstanbul Şişli Building	11,000,000	--	--	11,000,000	44,891	38,299	--	83,190	10,916,810
İzmir Konak Building -2	10,290,000	--	--	10,290,000	31,670	27,468	--	59,138	10,230,862
Ankara Başkent Building	9,541,729	--	--	9,541,729	22,878	19,518	--	42,396	9,499,333
İstanbul Bakırköy Building	9,023,500	--	--	9,023,500	21,951	18,727	--	40,678	8,982,822
Bursa Building	8,500,000	--	--	8,500,000	26,179	22,302	--	48,481	8,451,519
İzmir Karşıyaka Building	8,425,000	--	--	8,425,000	16,360	13,957	--	30,317	8,394,683
Ankara Bahçelievler Building 1	6,681,356	--	--	6,681,356	33,924	28,942	--	62,866	6,618,490
Kocaeli Building	6,519,193	--	--	6,519,193	15,864	13,758	--	29,622	6,489,571
İstanbul Fatih Building	6,380,000	--	--	6,380,000	27,268	23,264	--	50,532	6,329,468
İstanbul Caddebostan Building	6,300,000	--	--	6,300,000	75,247	65,262	--	140,509	6,159,491
Sakarya Adapazarı Building	5,960,000	--	--	5,960,000	17,239	14,707	--	31,946	5,928,054
Ankara Bahçelievler Building 2	5,684,746	--	--	5,684,746	11,230	9,581	--	20,811	5,663,935
İstanbul Ataköy Building	5,061,500	--	--	5,061,500	21,632	18,495	--	40,127	5,021,373
İstanbul Nişantaşı Building	5,000,000	--	--	5,000,000	7,754	6,723	--	14,477	4,985,523
Ataşehir Finans Plaza	--	126,548,795	--	126,548,795	--	455,878	--	455,878	126,092,917
<b>Total Buildings</b>	<b>210,636,101</b>	<b>126,548,795</b>	<b>--</b>	<b>337,184,896</b>	<b>663,410</b>	<b>1,024,774</b>	<b>--</b>	<b>1,688,184</b>	<b>335,496,712</b>
Levent Hotel Project(b)	26,151,803	2,004,146	--	28,155,949	--	--	--	--	28,155,949
İstanbul Ataşehir Land(c)	--	233,032,598	--	233,032,598	--	--	--	--	233,032,598
Eskişehir- Odunpazarı(d)	--	5,318,788	--	5,318,788	--	--	--	--	5,318,788
Kocaeli Şekerpinar Land(e)	--	9,996,331	--	9,996,331	--	--	--	--	9,996,331
<b>The sum of investment property under construction</b>	<b>26,151,803</b>	<b>250,351,863</b>	<b>--</b>	<b>276,503,666</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>276,503,666</b>
<b>Total</b>	<b>498,400,449</b>	<b>376,900,658</b>	<b>(261,612,545)</b>	<b>613,688,562</b>	<b>663,410</b>	<b>1,024,774</b>	<b>--</b>	<b>1,688,184</b>	<b>612,000,378</b>

(a) Bakırköy Land is a residential project for sale. And the related amount reclassified to stock account.

(b) Due to Otel Project on Levent Land, architectural and engineering expenses amounting to TL 1,306,110, agreement stamp tax and other duties amounting to TL 438,732 and project management expenses amounting to TL 259,304 are capitalized on the cost of land.

(c) Due to İstanbul Finans Merkezi Project on Ataşehir Arsa, deed fee expenses related with plot distribution are capitalized on.

(d) Eskişehir- Odunpazarı Land-demolition expenses amounting to TL 66,000 to cleanup the cage through the year, real estate register duty expense amounting to TL 283,880 and architectural and engineering expenses amounting to TL 69,268 are capitalized on the cost of land

(e) On Kocaeli Şekerpinar Land 81,956 TL real estate registry and duty expenses, 19,063 TL architectural and engineering expenses are capitalized on the cost of land.

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As at 31 December 2013 and 31 December 2012, net book values and fair values of investment properties are as follows:

Investment property	31 December 2013		31 December 2012	
	Net book value	Fair value	Net book value	Fair value
Istanbul Karaköy Building	23,378,016	26,600,000	23,416,399	24,700,000
Istanbul Salıpaazarı Building	21,780,589	39,530,000	21,849,628	37,646,459
İzmir Konak Building 1	13,195,676	16,845,000	13,260,358	14,942,085
Ankara Kızılay Building	12,373,587	16,497,936	12,405,572	16,000,000
Istanbul Beyoğlu Building	11,957,672	17,000,000	11,970,991	15,784,000
Istanbul Beşiktaş Building	11,837,947	14,000,000	11,855,534	13,075,900
Istanbul Etiler Building	10,961,157	13,500,000	10,973,379	12,379,745
Istanbul Şişli Building	10,878,616	12,500,000	10,916,810	11,606,582
İzmir Konak Building 2	10,203,470	12,000,000	10,230,862	11,457,213
Ankara Başkent Building	9,479,868	12,673,000	9,499,333	12,400,000
Istanbul Bakırköy Building	8,964,146	17,820,000	8,982,822	16,524,000
Bursa Building	8,429,278	9,510,000	8,451,519	8,865,000
İzmir Karşıyaka Building(a)	--	--	8,394,683	9,510,220
Ankara Bahçelievler Building 1	6,589,666	8,778,000	6,618,490	8,310,000
Kocaeli Building	6,475,850	8,215,000	6,489,571	7,950,000
Istanbul Fatih Building	6,306,268	8,380,000	6,329,468	7,835,000
Istanbul Caddebostan Building	6,094,408	6,880,000	6,159,491	6,502,500
Sakarya Adapazarı Building	5,913,387	7,593,300	5,928,054	7,350,000
Ankara Bahçelievler Building 2	5,654,378	7,400,000	5,663,935	7,200,000
Istanbul Ataköy Building	5,002,968	9,500,000	5,021,373	8,918,000
Istanbul Nişantaşı Building	4,978,818	6,920,000	4,985,523	6,310,000
Ataşehir Finans Plaza	125,485,720	166,230,000	126,092,917	159,000,000
<b>Buildings total</b>	<b>325,941,485</b>	<b>438,372,236</b>	<b>335,496,712</b>	<b>424,266,704</b>
Levent Otel Project	38,045,288	60,460,620	28,155,949	53,295,139
İstanbul Ataşehir Land	239,427,053	517,170,060	233,032,598	488,438,390
Eskişehir - Odunpazarı Land(b)	--	--	5,318,788	5,550,000
Kocaeli Şekerpinar Project	12,331,697	14,869,400	9,996,331	9,900,000
<b>Total investment property under construction</b>	<b>289,804,038</b>	<b>592,500,080</b>	<b>276,503,666</b>	<b>557,183,529</b>
<b>Toplam</b>	<b>615,745,523</b>	<b>1,030,872,316</b>	<b>612,000,378</b>	<b>981,450,233</b>

(a) İzmir Karşıyaka Building sold for TL 18,000,000 as at 19 December 2013

(b) Eskişehir- Odunpazarı Land is a residential project for sale. And the related amount reclassified to stock account.

# HALK REAL ESTATE INVESTMENT TRUST, INC

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## *Buildings*

### *i. Istanbul Karaköy Building*

İstanbul Karaköy Building is registered to Beyoğlu/İstanbul Müeyyetzade neighbourhood with 102 city block and 3<sup>rd</sup> plot. It is a massive block office building with a place of 583 m<sup>2</sup>. The value of the investment property has been determined as 23,500,000 TL according to the report dated 13 November 2009 prepared by real estate appraisal company licensed by CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Karaköy Building has been determined as TL 26,600,000 according to market value approach based on the report dated 23 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank and Halk Faktoring AŞ. The Company earned TL 1,765,522 of rental income for the period started 1 January 2013 and ended 31 December 2013.

### *ii. Istanbul Salıpaazarı Building*

İstanbul Salıpaazarı Building is registered to Beyoğlu/İstanbul Kılıçali neighbourhood with 57 city block and 14<sup>th</sup> plot. It is a 1,196 m<sup>2</sup> of land.

The value of the investment property has been determined as TL 22,000,000 according to the report dated 13 November 2009 prepared by real estate appraisal company licensed by CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Salıpaazarı Building has been determined as TL 39,530,000 according to market value approach based on the report dated 01 October 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank and Eco Trade Development Bank (“Eco Trade”). The Company earned TL 1,440,624 of rental income for the period started 1 January 2013 and ended 31 December 2013.

### *iii. Izmir Konak Building-1*

İzmir Konak Corporate Building is registered to Konak/İzmir Akdeniz neighbourhood with 971 city block and 17<sup>rd</sup> plot. It is a massive block bank building with a place of 739 m<sup>2</sup>. For the independent sections of the property there is no construction servitude.

The value of the investment property has been determined as TL 13,400,000 according to the report dated 9 December 2009 prepared by real estate appraisal company licensed by CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Konak Corporate Building has been determined as TL 16,845,000 according to market value approach based on the report dated 23 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 1,069,165 of rental income for the period started 1 January 2013 and ended 31 December 2013.

## HALK REAL ESTATE INVESTMENT TRUST, INC

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### *iv. Ankara Kızılay Building*

Kızılay/ANKARA Building is registered to Çankaya/Ankara Cumhuriyet neighbourhood with 1064 city block and 14<sup>th</sup> plot. It is a massive block apartment with a place of 272 m<sup>2</sup>.

The value of the investment property has been determined as TL 12,475,237 according to the report dated 11 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Kızılay Building and Service Building has been determined as TL 16,497,936 according to market value approach based on the report dated 25 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company has rented second floor of this property to Halk Yatırım Menkul Değerler AŞ (“Halk Yatırım”) and the other divisions to HalkBank. The Company rented this property to Halkbank. The Company earned TL 1,138,660 of rental income for the period started 1 January 2013 and ended 31 December 2013.

### *v. Istanbul Beyoğlu Building*

İstanbul Beyoğlu Building is registered to Beyoğlu/İstanbul Hüseyinağa neighbourhood with 338 city block and 8<sup>th</sup> plot. It is a massive office block with a place of 195 m<sup>2</sup>.

The value of the investment property has been determined as TL 12,000,000 according to the report dated 9 December 2009 prepared by real estate appraisal company licensed by CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Beyoğlu Building has been determined as TL 17,000,000 according to market value approach based on the report dated 23 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup> and 6<sup>th</sup> floors of this property to Turkish Treasury and other divisions to Halkbank. The Company earned TL 1,140,009 of rental income for the period started 1 January 2013 and ended 31 December 2013.

### *vi. Istanbul Beşiktaş Building*

İstanbul Beşiktaş Building is registered to Beşiktaş/İstanbul Sinanpaşa neighbourhood with 291 city block and 93<sup>rd</sup> plot. It is a massive block office building with a place of 267 m<sup>2</sup>.

The value of the investment property has been determined as TL 11,893,840 according to the report dated 3 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Beşiktaş Building has been determined as TL 14,000,000 according to market value approach based on the report dated 23 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented 2<sup>nd</sup> and 3<sup>rd</sup> floors to Pension Fund and other floors of this property to Halkbank. The Company earned TL 985,723 of rental income for the period started 1 January 2013 and ended 31 December 2013.

### *vii. Istanbul Etiler Building*

İstanbul Etiler Building is registered to Beşiktaş/İstanbul 1st Region with 578 city block and 3<sup>rd</sup> plot. It is a massive house with a place of 617 m<sup>2</sup>.

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The value of the investment property has been determined as TL 11,000,000 according to the report dated 13 November 2009 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Etiler Building has been determined as TL 13,500,000 according to market value approach based on the report dated 23 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 844,077 of rental income for the period started 1 January 2013 and ended 31 December 2013.

**viii. *Istanbul Şişli Building***

İstanbul Şişli Building is registered to Şişli/İstanbul Meşrutiyet neighbourhood with, 129 plate, 954 city block and 62<sup>nd</sup> plot. It is a massive block apartment with a place of 200 m<sup>2</sup>.

The value of the investment property has been determined as TL 11,000,000 according to the report dated 9 December 2009 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Şişli Building has been determined as TL 12,500,000 according to market value approach based on the report dated 23 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 844.077 of rental income for the period started 1 January 2013 and ended 31 December 2013.

**ix. *Izmir Konak Building***

Izmir Konak Building is registered to Konak/İzmir Akdeniz neighbourhood with 2802 city block and 15<sup>rd</sup> plot. It is a massive block bank building with a place of 616 m<sup>2</sup>.

The value of the investment property has been determined as TL 10,290,000 according to the report dated 9 December 2009 prepared by real estate appraisal company licensed by CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Konak Building has been determined as TL 12,000,000 according to market value approach based on the report dated 01 October 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented 180 m<sup>2</sup> of ground floor and 400 m<sup>2</sup> of first floor to Halk Sigorta AŞ (“Halk Sigorta”), 171 m<sup>2</sup> of first floor to Halk Yatırım and other divisions to Halkbank. The Company earned TL 837,254 of rental income for the period started 1 January 2013 and ended 31 December 2013.

**x. *Ankara Başkent Building***

Ankara Başkent Building and Service Building is registered to Çankaya/Ankara Cumhuriyet neighbourhood with 1046 city block and 27<sup>th</sup> plot. It is a massive block apartment with a place of 205 m<sup>2</sup>.

The value of the investment property has been determined as TL 9,541,729 according to the report dated 11 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Başkent Building has been determined as TL 12,673,000 according to market value approach based on the report dated 25 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company has rented a part of this property to Halkbank and the other part to Ceda Akaryakit. The Company earned TL 907,428 of rental income for the period started 1 January 2013 and ended 31 December 2013.

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### *xii. Istanbul Bakırköy Building*

İstanbul Bakırköy Building is registered to Bakırköy/İstanbul Zeytinlik neighbourhood with 101 city block and 29th plot. It is a eight-storey massive block apartment with a place of 213 m<sup>2</sup>.

The value of the investment property has been determined as TL 9,023,500 according to the report that was prepared at 5 February 2010 by the experts assigned by Commercial Court and it was devolved as capital in kind at 28 October 2010 by Halkbank. According to 23 December 2013 dated report of a real estate valuation firm was licensed by CMB, the fair value of Bakırköy Building has been determined as TL 17,820,000 according to market value approach. There is no restriction on the investment property. The Company has rented this property to Halkbank. The Company earned TL 1,055,097 of rental income for the period started 1 January 2013 and ended 31 December 2013.

### *xiii. Bursa Building*

Bursa Building is registered to Osmangazi/Bursa Kayıhan neighbourhood with 4306 city block and 1<sup>st</sup> plot. It is a seven-storey massive block apartment with a place of 306 m<sup>2</sup>.

The value of the investment property has been determined as TL 8,500,000 according to the report dated 18 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Ankara Bahçelievler Building has been determined as TL 9,510,000 according to market value approach based on the report dated 23 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 661,194 of rental income for the period started 1 January 2013 and ended 31 December 2013.

### *xiv. İzmir Karşıyaka Building*

İzmir Karşıyaka Building is registered to Karşıyaka/İzmir Donanmacı neighbourhood with 69 city block and 18<sup>th</sup> plot. It is a massive block apartment with a place of 306 m<sup>2</sup>.

The value of the investment property has been determined as TL 8,425,000 according to the report dated 9 December 2009 prepared by real estate appraisal company licensed by CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Karşıyaka Building has been determined as TL 9,805,000 according to market value approach based on the report dated 01 October 2013 prepared by real estate appraisal company licensed by CMB. The Company sold this property as TL 18,000,000 as at 19 December 2013 . The Company earned TL 560,060 of rental income for the period started 1 January 2013 and ended 19 December 2013.

### *xv. Ankara Bahçelievler Building-1*

Ankara Bahçelievler Building-1 is registered to Çankaya/Ankara Yukarı Bahçelievler neighbourhood with 2758 city block and 29<sup>th</sup> plot. It is a five-storey massive block apartment with a place of 612 m<sup>2</sup>.

The value of the investment property has been determined as TL 6,681,356 according to the report dated 11 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Ankara Bahçelievler Building has been determined as TL 8,778,000 according to market value approach based on the report dated 25 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 576,786 of rental income for the period started 1 January 2013 and ended 31 December 2013.

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### *xv. Kocaeli Building*

Kocaeli Building is registered to İzmit/Kocaeli Ömerağa neighbourhood with 870 city block and 48th plot. It is a massive block building with a place of 284 m<sup>2</sup>.

The value of the investment property has been determined as TL 6,519,193 according to the report dated 18 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Kocaeli Building has been determined as TL 8,215,000 according to market value approach based on the report dated 25 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 703,398 of rental income for the period started 1 January 2013 and ended 31 December 2013.

### *xvi. Istanbul Fatih Building*

İstanbul Commercial Building is registered to Fatih/İstanbul Hobyar neighbourhood with 418 city block and 2<sup>nd</sup> plot. It is a massive block bank building with a place of 208 m<sup>2</sup>.

The value of the investment property has been determined as TL 6,380,000 according to the report dated 9 December 2009 prepared by real estate appraisal company licensed by CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Fatih Building has been determined as TL 8,380,000 according to market value approach based on the report dated 23 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 464,243 of rental income for the period started 1 January 2013 and ended 31 December 2013.

### *xvii. Istanbul Caddebostan Building*

İstanbul Caddebostan Building is registered to Kadıköy/İstanbul Erenköy neighbourhood with 368 city block and 25<sup>th</sup> plot. It is a massive block apartment with a garden with a place of 902 m<sup>2</sup>.

The value of the investment property has been determined as TL 6,300,000 according to the report dated 18 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Caddebostan Building has been determined as TL 6,880,000 according to market value approach based on the report dated 25 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 492,378 of rental income for the period started 1 January 2013 and ended 31 December 2013.

### *xviii. Sakarya Adapazarı Building*

Sakarya Adapazarı Building is registered to Adapazarı/Sakarya Cumhuriyet neighbourhood with 130 city block and 167<sup>th</sup> plot. It is a land with a place of 3,000 m<sup>2</sup>.

The value of the investment property has been determined as TL 5,960,000 according to the report dated 2 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Adapazarı Building has been determined as TL 7,593,300 according to market value approach based on the report dated 25 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 634,409 of rental income for the period started 1 January 2013 and ended 31 December 2013.

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### *xix. Ankara Bahçelievler Building-2*

Ankara Bahçelievler Building -2 is registered to Çankaya/Ankara Yukarı Bahçelievler neighbourhood with 2763 city block and 10<sup>th</sup> plot. It is a stone apartment with a place of 610 m<sup>2</sup>.

The value of the investment property has been determined as TL 5,684,746 according to the report dated 11 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Bahçelievler Building has been determined as TL 7,400,000 according to market value approach based on the report dated 25 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş. ("Koton"). The Company earned TL 537,088 of rental income for the period started 1 January 2013 and ended 31 December 2013.

### *xx. Istanbul Ataköy Building*

İstanbul Ataköy Building is registered to Bakırköy/İstanbul Kartaltepe neighbourhood with 115 city block and 174<sup>th</sup> plot. It is a massive block bank building with a place of 515 m<sup>2</sup>.

The value of the investment property has been determined as TL 5,061,500 according to the report dated 5 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Ataköy Building has been determined as TL 9,500,000 according to market value approach based on the report dated 23 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 604,922 of rental income for the period started 1 January 2013 and ended 31 December 2013.

### *xxi. Istanbul Nişantaşı Building*

İstanbul Nişantaşı Building is registered to Şişli/İstanbul Halaskargazi neighbourhood with 680 city block and 14<sup>th</sup> plot. It is an eight-storey massive apartment with a restaurant with a place of 221.50 m<sup>2</sup>. Related property is classified as a cultural asset that is needed to be protected.

The value of the investment property has been determined as TL 5,000,000 according to the report dated 3 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Nişantaşı Building has been determined as TL 6,920,000 according to market value approach based on the report dated 23 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 422,039 of rental income for the period started 1 January 2013 and ended 31 December 2013.



### *xxii Ataşehir Finans Plaza*

Ataşehir Finans Plaza is registered to Ataşehir/Küçükbakkalköy neighbourhood with 3332 city block and 24<sup>th</sup> plot. It is a land with a place of 7,995 m<sup>2</sup>. The investment property has been purchased from the K Yapı Gayrimenkul Geliştirme İnş. San. ve Dış Tic. A.Ş. Due to related agreement, the payment of half of the cost value including VAT, TL 72,275,000 has been made concurrently transfer of 103 unit land register with servitude. 25% portion of sale price TL 36,137,500 was paid on 13 June 2012 and the last payment portion of sale price TL 33,237,500 was paid on 30 July 2012. The other part of payment TL 2,900,000 due to purchase is net off with the other transactions with the K Yapı Gayrimenkul Geliştirme İnş. San. ve Dış Tic. A.Ş. With the payment of first part, register fee of TL 2,070,600, settling expense of TL 509,253 and finance expense of TL 1,466,224 of the loan related with land are added to the building cost. TL 150,000,000 of mortgage has been given as collateral for the loan which obtained from the Halkbank (Note 11).

The fair value of Ataşehir Finans Plaza has been determined as TL 166,230,000 according to market value approach based on the report dated 23 December 2013 prepared by real estate appraisal company licensed by CMB. The Company rented this property to Halkbank and three-year rent of TL 33,460,200 has been taken in advance. The Company has recognized TL 11,153,400 of rental income for the period started 1 January 2013 and ended 31 December 2013.

### *Investment property under construction*

#### *Levent Otel Project*

Levent Land is registered to Mecidiyeköy/Şişli neighbourhood with 1957 city block and 6th plot. The land is place of 2,791 m<sup>2</sup>. The value of investment property has been determined as TL 25,799,000 according to the report dated 24 February 2010 by the experts assigned by Commercial Court and transferred to the Company as capital in kind on 28 October 2010 by Halkbank. The fair value of Ataşehir Finans Plaza has been determined as TL 60,460,620 according to market value approach based on the report dated 25 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Hotel Project on the land has been started with the agreement between Dedeman Turizm Yönetimi A.Ş.

The Company has recognized TL 116,666 of advertising income from the related investment property as from June for the period started 1 January 2013 and ended 31 December 2013.

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### *Ataşehir Land*

Ataşehir Land is registered to Ümraniye/İstanbul Küçükbakkalköy neighbourhood with 3328 city block and 3rd plot. It has a place of 28,732 m<sup>2</sup>. The value of the investment property has been determined as TL 229,846,920 according to the report dated 18 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind at 28 October 2010 by Halkbank. The fair value of Ataşehir Land has been determined as TL 517,170,060 according to market value approach based on the report dated 25 December 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property.

Istanbul Finance Center project is developed under coordination of Ministry of Environment and Urbanisation of Turkish Republic. A protocol and initial confirmation is signed between the Company and the Ministry regarding the administration process of the Project.

At 25 December 2012, previous 3323 city block and 3<sup>rd</sup> plot of the Company has revised at the new partition plan of the Project and new land is registered as 3328 block 4<sup>th</sup> plot and 3328 block 11<sup>th</sup> plot. Plots have surface area of 16,337 m<sup>2</sup> and 12,395 m<sup>2</sup>, 135,835 m<sup>2</sup> and 102,953 m<sup>2</sup> constructions areas respectively. as 3328 block 4<sup>th</sup> plot and 11<sup>th</sup> plot are parceled from previous 3323 block 3<sup>rd</sup> plot and total construction area of the Company on the Land is protected during the partition.

### *Kocaeli Şekerpınar Project*

Kocaeli Şekerpınar Land is registered to Şekerpınar/Kocaeli neighbourhood with 420 block and 26 plot. It has place 15,652 m<sup>2</sup>. The fair value of the investment property has been determined as TL 14,869,400 according to market value approach based on the report dated 10 October 2013 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company has signed an agreement for the architectural design of office buildings on the land due to construction a building for banking operational center and has a licence for 1.part.

### **Operating leases**

#### *The Company as lessor*

The Company has signed operating lease agreements with HalkBank, Halk Yatırım, Koton, Eco Trade, Halk Sigorta, Pension Fund, Turkish Treasury, Halk Faktoring, Ceda Akaryakıt Turizm and Bro Reklam as lessor. The future minimum lease payments as at 31 December 2013 and 31 December 2012 under non-cancellable leases are as follows:

	<b>31 December 2013</b>	<b>31 December 2012</b>
Less than one year	31,729,600	29,931,758
Between one and five years	38,360,997	46,205,183
More than five years	1,106,227	1,702,926
<b>Total</b>	<b>71,196,824</b>	<b>77,839,867</b>

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### 10. TANGIBLE ASSETS

Movement schedule of tangible assets for the period from 1 January 2013 to 31 December 2013 are as follows:

	1 January 2013	Additions	Disposals	31 December 2013
<b><u>Cost</u></b>				
Furniture and fixtures	593,102	223,771	--	816,873
Leasehold improvement	414,511	244,871	--	659,382
	<b>1,007,613</b>	<b>468,642</b>	<b>--</b>	<b>1,476,255</b>
<b><u>Accumulated depreciation</u></b>				
Furniture and fixtures	(42,691)	(127,464)	--	(170,155)
Leasehold improvement	(20,826)	(187,814)	--	(208,640)
	<b>(63,517)</b>	<b>(315,278)</b>	<b>--</b>	<b>(378,795)</b>
	<b>944,096</b>			<b>1,097,460</b>

Movement schedule of tangible assets for the period from 1 January 2012 to 31 December 2012 are as follows:

	1 January 2012	Additions	Disposals	31 December 2012
<b><u>Cost</u></b>				
Furniture and fixtures	109,524	531,193	(47,615)	593,102
Leasehold improvement	--	414,511	--	414,511
	<b>109,524</b>	<b>945,704</b>	<b>(47,615)</b>	<b>1,007,613</b>
<b><u>Accumulated depreciation</u></b>				
Furniture and fixtures	(16,615)	(42,219)	16,143	(42,691)
Leasehold improvement	--	(20,826)	--	(20,826)
	<b>(16,615)</b>	<b>(63,045)</b>	<b>16,143</b>	<b>(63,517)</b>
	<b>92,909</b>			<b>944,096</b>

As at 31 December 2013 and 31 December 2012, there is no pledge on tangible assets.

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### 11. INTANGIBLE ASSETS

Movement schedule of intangible assets for the period from 1 January 2013 to 31 December 2013 are as follows:

	1 January 2013	Additions	Disposals	31 December 2013
<b><u>Cost</u></b>				
Other intangible assets	13,589	213,772	--	227,361
	<b>13,589</b>	<b>213,772</b>	<b>--</b>	<b>227,361</b>
<b><u>Accumulated depreciation</u></b>				
Other intangible assets	(634)	(3,228)	--	(3,862)
	<b>(634)</b>	<b>(3,228)</b>	<b>--</b>	<b>(3,862)</b>
	<b>12,955</b>			<b>223,499</b>

Movement schedule of intangible assets for the period from 1 January 2012 to 31 December 2012 are as follows:

	1 January 2012	Additions	Disposals	31 December 2012
<b><u>Cost</u></b>				
Other intangible assets	3,103	10,486	--	13,589
	<b>3,103</b>	<b>10,486</b>	<b>--</b>	<b>13,589</b>
<b><u>Accumulated depreciation</u></b>				
Intangible assets	(161)	(473)	--	(634)
	<b>(161)</b>	<b>(473)</b>	<b>--</b>	<b>(634)</b>
	<b>2,942</b>	<b>10,013</b>	<b>--</b>	<b>12,955</b>

### 12. LOANS AND BORROWINGS

As of December 31, 2013 and December 31, 2012, financial borrowings are as follows:

	31 December 2013	31 December 2012
<b><u>Short-term financial liabilities:</u></b>		
Short-term portion of long-term borrowings	3,325,159	21,081,080
<b>Total short-term borrowings</b>	<b>3,325,159</b>	<b>21,081,080</b>
<b><u>Long-term borrowings:</u></b>		
Long-term bank loans	15,212,501	73,121,272
<b>Total long-term liabilities</b>	<b>15,212,501</b>	<b>73,121,272</b>
<b>Total financial liabilities</b>	<b>18,537,660</b>	<b>94,202,352</b>

## HALK REAL ESTATE INVESTMENT TRUST, INC

Financial debt repayment schedule is as follows:

	31 December 2013	31 December 2012
Less than 1 year	3,325,159	21,081,080
1–2 between years	3,029,916	13,375,047
2–3 between years	2,761,562	11,860,130
3–4 between years	2,517,581	10,520,328
4–5 between years	2,296,453	9,339,172
5 year and More than 5 years	4,606,989	28,026,595
<b>Total</b>	<b>18,537,660</b>	<b>94,202,352</b>

### **31 December 2013:**

Currency	Nominal interest rate (%)	Maturity	Short-Term	Long-Term
TL <sup>(1)</sup>	8	2021	3,325,159	15,212,501
<b>Total</b>			<b>3,325,159</b>	<b>15,212,501</b>

<sup>(1)</sup> Real estate located in İstanbul Beyoğlu Asmalımescit purchased with Halkbank loan at 25 April 2011 (sold out September 8, 2011).

### **31 Aralık 2012:**

Currency	Nominal interest rate (%)	Maturity	Short-Term	Long-Term
TL <sup>(1)</sup>	10.9	2022	14,273,039	39,094,311
TL <sup>(2)</sup>	10.9	2022	3,490,500	17,177,325
TL <sup>(3)</sup>	8.0	2021	3,317,541	16,849,636
<b>Total</b>			<b>21,081,080</b>	<b>73,121,272</b>

<sup>(1)</sup> The loan is obtained from Halkbank at 12 January 2012 to finance the Ataşehir Finans Plaza Project. Due to used loan, TL 150,000,000 of mortgage has been given to Halkbank as collateral. The Company has made the payment before the maturity date on 7 March 2013.

<sup>(2)</sup> The loan is obtained from Halkbank at 31 August 2012 to finance acquisition of Ataşehir Finans Plaza and acquisition of the land at Kocaeli Şekerpınar. The Company has made the payment before the maturity date on 7 March 2013.

<sup>(3)</sup> The loan is obtained from Halkbank at 25 April 2011 to finance the acquisition of İstanbul Beyoğlu Asmalımescit Building (Such property was sold on 8 September 2011).

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### 13. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2013, the Company is subject of a lawsuit (31 Decemeber 2012:None). Labor lawsuit which has been filed against the Company and has not yet reached an outcome. A possible claim against the Company is not expected.

According to the decision of CMB's on 9 September 2009 related to the commitments of publicly owned companies given to the guarantee 3rd party's debts, the commitments given;

For companies other than publicly owned associations and financial institutions;

i) For their own corporate identities

ii) In favor of fully consolidated associations

iii) In favor of 3rd parties to continue their operations will not be limited.

After the decision is published at the Platform of Public Enlightenment, publicly owned companies will not give commitments to real people 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 commitments have already been given it will be reduced to nil until 31 December 2014.

As at 31 December 2013 and 31 December 2012 commitments given are as follows:

	31 December 2013		31 December 2012	
	Original Amount	Book Value	Original Amount	Book Value
A. Commitments given in the name of own legal entity <sup>(1)</sup>	150,230,465	150,230,465	150,186,518	150,186,518
B. Commitments given in favor of full consolidated subsidiaries	--	--	--	--
C. Commitments given to guarantee the debts of third parties to continue their operations	--	--	--	--
D. Other commitments given;	--	--	--	--
- in favor of parent company	--	--	--	--
- in favor of group companies other than mentioned in bullets B and C	--	--	--	--
- in favor of third parties other than mentioned in bullets C	--	--	--	--
<b>Total</b>	<b>150,230,465</b>	<b>150,230,465</b>	<b>150,186,518</b>	<b>150,186,518</b>

<sup>(1)</sup> The mortgages have been given to Halkbank related to loan used for the Ataşehir Finans Plaza amounting to TL 150,000,000 (31 Aralık 2012: TL 150,000,000) (Although loan agreement has been closed before due date at 7 March 2013, mortgage has not been cancelled under general loan agreement between Halkbank and the Company) and guarantee letter given for road accession commitment of Levent Dedeman Otel Project amounting to TL 223,715 (31 Aralık 2012: TL 186,518) and the other guarantee letter amounting to TL 6,750.

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As at 31 December 2013 and 31 December 2012, the details of letter of guarantees are presented below:

	31 December 2013	31 December 2012
Haldız İnşaat Otomotiv ve Tic Ltd.Şti(*)	13,680,000	--
K Yapı Gayrimenkul Geliştirme İnş. San. Ve Dış Tic. A.Ş. (**)	9,913,239	--
Biskon Yapı AŞ (***)	8,960,400	8,960,400
Dedeman Turizm Yönetimi AŞ (**)	5,873,000	2,351,700
Ilgazlar İnşaat Tic. Ve San. AŞ	4,800,000	--
SEY AŞ SEY Mimarlık Mühendislik Müşavirlik A.Ş. (****)	3,950,000	--
Megapol Mühendislik Tic. AŞ	1,188,000	--
NYS Proje Danışmanlık İnşaat San Tic Ltd Şti (**)	1,157,600	550,000
Proje Yönetim AŞ(****)	480,000	--
Koton Mağazacılık Tekstil San ve Tic AŞ (*****)	300,000	300,000
Other	705,339	588,860
<b>Total</b>	<b>51,007,578</b>	<b>12,750,960</b>

(\*) The Company has received letter of guarantee from the suppliers for architectural and construction activities within the scope of - Bank Operation Center Project upon the Kocaeli-Şekerpınar Land.

(\*\*)The Company has received letter of guarantee from the suppliers for architectural and construction activities within the scope of Dedeman Otel Project.

(\*\*\*)The Company has received letter of guarantee from the contractor Biskon Yapı AŞ for the “Income Reallocation for Land Sale” project.

(\*\*\*\*) The Company has received letter of guarantee from the suppliers for architectural and construction activities within the scope of İstanbul Financial Center (IFC) Project.

(\*\*\*\*\*) Koton Mağazacılık Tekstil San ve Tic. AŞ and Ceda Akaryakıt İnşaat Emlak Turizm Nakliye Otomotiv San Tic Taahhüt Ltd Şti are the leaseholders of the Company.

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### 14. EMPLOYEE BENEFITS

As at 31 December 2013 and 31 December 2012, the details of employee benefits are presented below:

	31 December 2013	31 December 2012
<b>Long-term liabilities</b>		
Provision for employee benefits	49,390	27,881
<b>Total</b>	<b>49,390</b>	<b>27,881</b>

	31 December 2013	31 December 2012
<b>Short-term liabilities</b>		
Vacation pay liability	135,894	73,944
Provisions for personnel premium	376,544	--
<b>Total</b>	<b>512,438</b>	<b>73,944</b>

In accordance with the existing labour code in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The Company calculated the severance pay liability for the retirement of its employees by discounting the future liabilities to their present values and reflected to the financials.

TAS 19 – *Benefits for Employees Reserves* Standard, requires the company to book the severance pay liability by developing actuarial valuation methods.

Primary actuarial estimations used at the attached financial statements are stated below regarding 31 December 2013 and 31 December 2012:

	31 December 2013	31 December 2012
Discount rate	3.20%	2.9%
Expected salary/limit increase rate	6.40%	5.0%
Estimated retirement turnover rate	95%	95%

As at 31 December 2013 and 31 December 2012, the movement of provision for employee benefits are presented below:

	31 December 2013	31 December 2012
<b>Balance at the beginning</b>	<b>27,881</b>	<b>7,671</b>
Interest Cost	2,565	1,147
Service Cost	24,762	14,181
Payments	(9,210)	(12,474)
Actuarial Difference	3,392	17,356
<b>Balance at the end of period</b>	<b>49,390</b>	<b>27,881</b>



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### 15. OTHER CURRENT / NON-CURRENT ASSETS AND OTHER SHORT-TERM / LONG-TERM LIABILITIES

#### Prepaid expenses

As at 31 December 2013 and 31 December 2012, the details of prepaid expenses are presented below:

	31 December 2013	31 December 2012
Prepaid Consultancy Expenses	--	412,500
Prepaid sponsorship expenses	289,835	290,411
Prepaid insurance expenses	121,782	108,284
Other	30,103	522,060
<b>Total short term prepaid expenses</b>	<b>441,720</b>	<b>1,333,255</b>
Investment expenses given(*)	20,818,198	--
<b>Total long term prepaid expenses</b>	<b>20,818,198</b>	<b>--</b>
<b>Total prepaid expenses</b>	<b>21,259,918</b>	<b>1,333,255</b>

(\*) As at 31 December 2013, advances given consist of followings, due to the planned banking base Project on Kocaeli Şekerpınar Land, advance amounting TL 6,228,653 (31 December 2012: None) is given to the contractor architecture and engineering company, due to the Dedeman Otel Project advance amounting TL 8,940,182 (31 December 2012: None) is given to the contractor architecture and engineering company, due to the IFM Project advance amounting TL 2,396,512 (31 December 2012: None) is given to the contractor architecture and project administration firms and advance amounting TL 3,252,851 is given to the other suppliers.

#### Other current assets

As at 31 December 2013 and 31 December 2012, the details of other current assets are presented below:

	31 December 2013	31 December 2012
Deposits and guarantees given	160,683	5,301
Advance payments for orders	10,769	--
Deferred value added tax	--	152,355
Other	552,943	2,457
<b>Total</b>	<b>724,395</b>	<b>160,113</b>

#### Other non-current assets

As at 31 December 2013, other non-current assets include the VAT receivable amounting to TL 14,036,000 due to purchase of Ataşehir Finans Plaza Building (31 December 2012: TL 14,850,000).

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### Other short-term liabilities

As at 31 December 2013 and 31 December 2012, the details of other short-term liabilities are presented below:

	31 December 2013	31 December 2012
Taxes and funds payable	746,053	163,716
Deposits and guarantees received	482,777	27,000
Social security premium payable	54,842	34,334
Expense accruals	--	2,708
Payable to personnel	1,422	2,307
<b>Total</b>	<b>1,285,094</b>	<b>230,065</b>

## 16. SHAREHOLDERS EQUITY

### 16.1. Paid in capital

As at 31 December 2013 and 31 December 2012, the issued and fully paid in capital of the Company is as follows:

	Group	31 December 2013		31 December 2012	
		Share %	Amount	Share %	Amount
Halkbank	A	1.50	10,135,571	2.09	9,967,978
Halkbank	B	76.49	515,260,185	97.75	466,282,021
Halk Yatırım	A	0.04	254,203	0.05	250,000
Halk Sigorta	A	0.04	254,203	0.05	250,000
Halk Hayat Sigorta AŞ	A	0.04	254,203	0.05	250,000
Halk Finansal Kiralama AŞ	A	<0.01	1	<0.01	1
Publicly held <sup>(1)</sup>	B	21.89	147,480,338	-	-
<b>Paid in capital</b>			<b>673,638,704</b>	<b>100.00</b>	<b>477,000,000</b>

<sup>(1)</sup> Halkbank has 41.138.487 B group shares with the share rate of 6.11 on publicly held.

The Company shares are issued into two type of groups; Group A and Group B to names. The Group A shares have the right to vote for the election of members of the Board of Directors (“BOD”). One more member of half of BOD members are elected through A Group shares’ candidates and remaining members are elected through A Group and B Group shares’ candidates by General Board. Capital increases in the Group A and B shares are issued as the Group A and B shares, respectively. However, if the BOD restricts the right of owning new shares for shareholders, new shares are issued as the Group B shares.

## HALK REAL ESTATE INVESTMENT TRUST, INC

The Company has been established with registered capital ceiling is TL 1,500,000,000 registered shares of TL 1. The Company's nominal capital value is amounting to TL 662,500,000 and had been portioned to 662,500,000 shares. All capital value has been subscribed by the founders; amounting to TL 196,217,979 has been paid as cash and amounting to TL 466,282,021 has been paid in kind by Halkbank which is the lead shareholder.

Due to the numbered 49/110 Board of the Directors of the Company as at 15 August 2012, the Company increased the capital to TL 662,500,000. Increased capital of TL 185,500,000, 185,500,000 unit shares, is publicly offered as of 13-15 February 2013. As at 20 July 2013 the Company hold stock split with an amount of TL 11,138,704 from retained earnings.

### 16.2. Own shares acquired

The Company's own shares acquired, accounted at their costs. The Company has the 18,991,341 unit with the same cost (31 December 2012: None).

As at 31 December 2013 The Company's own shares acquired detail as follows:

Transaction	Transaction Date	Notional Amount	Weighted average share price	Transaction amount
Repurchase share	26.02.2013	933,649	1.34	1,251,090
Repurchase share	27.02.2013	736,571	1.34	987,004
Repurchase share	28.02.2013	1,000,000	1.34	1,340,000
Repurchase share	01.03.2013	2,297,269	1.32	3,021,922
Repurchase share	05.03.2013	3,455,130	1.33	4,608,678
Repurchase share	11.03.2013	457,867	1.32	604,384
Repurchase share	12.03.2013	586,245	1.32	773,843
Repurchase share	15.03.2013	2,000,000	1.32	2,640,000
Repurchase share	21.03.2013	7,210,586	1.33	9,582,612
Bonus shares	20.06.2013	314,024	--	--
<b>Total Own Shares Acquired</b>		<b>18,991,341</b>		<b>24,809,533</b>

### 16.3. Share premiums

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 as share premium. Commission expenses, advertising expenses and consultancy expenses which are related with the initial public offering amounting to TL 8,847,688 are net off with share premium. Additionally, the difference of sales price over nominal value of own shares acquired amounted to TL 6,132,217 are net off with share premium.

### 16.4. Restricted reserves

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. As at 31 December 2013, The Company's restricted reserves are legal reserves and amounting to TL 2,074,167 (31 December 2012: TL 1,453,261).

## HALK REAL ESTATE INVESTMENT TRUST, INC

### 16.5. Dividend distribution

According to Communiqué Serial: IV, No: 27, regarding profit distribution obligation, it has been made possible that shares, issued in cash or through the addition of dividend to the capital upon the decision of the Company's general assembly, can be distributed to the shareholders free of charge or that the distribution can be partly made in cash and partly through the free distribution of shares. It has been further made possible that initial dividend amount be left to the companies without distribution, if such amount is lower than the 5% of the existing paid-up/issued capital amount.

In this context; according to the decision of CMB, the net distributable profit that is calculated per CMB's minimum profit distribution requirements will be wholly distributed if it is met by the net distributable profit of statutory records, if the amount per CMB is not met by statutory records, the amount to be distributed will be limited to the amount at the statutory records. If losses are incurred in either of CMB or statutory financial statements, no profit will be distributed.

### 17. REVENUE AND COST OF SALES

For the years ended 31 December 2013 and 2012, revenue is as follows:

	1 January – 31 December 2013	1 January – 31 December 2012
Property sale income	18,000,000	
Rent income	28,954,220	24,932,165
Other income	--	12,713
<b>Total property income</b>	<b>46,954,220</b>	<b>24,944,878</b>
Interest income on deposits	7,889,972	1,659,777
Interest income from financial assets available for sale	2,696,379	--
Income from financial assets at fair value through profit and loss	932,293	201,986
Held to maturity financial asset interest income	31,054	--
Dividend income	9,932	--
<b>Total income from debt securities</b>	<b>11,559,630</b>	<b>1,861,763</b>
<b>Total sales</b>	<b>58,513,850</b>	<b>26,806,641</b>

For the years ended 31 December 2013 and 2012 cost of sales are as follows:

	1 January – 31 December 2013	1 January – 31 December 2012
Cost of property sale	8,381,183	--
Real estate tax expense	487,782	843,336
Depreciation expense	1,174,044	1,024,774
Other	675,770	120,661
<b>Total cost of property income</b>	<b>10,718,779</b>	<b>1,988,771</b>
Expense from financial assets at fair value through profit and loss	1,074,078	50,335
Commission expenses	230,659	30,338
<b>Total cost of borrowing instruments</b>	<b>1,304,737</b>	<b>80,673</b>
<b>Total cost of sales</b>	<b>12,023,516</b>	<b>2,069,444</b>

## HALK REAL ESTATE INVESTMENT TRUST, INC

### 18. ADMINISTRATIVE EXPENSES

For the year ended 31 December 2013 and 2012, administrative expenses are as follows:

	1 January – 31 December 2013	1 January – 31 December 2012
Personnel expenses	4,098,719	2,363,483
Advertisement expenses	2,769,372	149,985
Sponsorship expenses	718,137	278,556
Consultancy expenses <sup>(1)</sup>	498,142	969,550
Rent expenses	384,100	125,000
Tax and duties expenses	195,458	121,899
Amortisation expenses	318,506	63,518
Travel and rent a car expenses	254,638	127,258
Feasibility and expertise expenses	140,909	136,062
Outsourced service expenses	202,984	174,604
Office and IT related expenses	159,327	145,056
Maintenance expenses	5,465	5,849
Other expenses	7,843	29,578
<b>Total</b>	<b>9,753,600</b>	<b>4,690,398</b>

#### *Personnel expenses*

	1 January- 31 December 2013	1 January- 31 December 2012
Salaries and wages	3,108,901	1,625,464
Social security payroll tax	377,913	272,210
Attendance fee	260,544	226,226
Other	351,361	239,583
<b>Total</b>	<b>4,098,719</b>	<b>2,363,483</b>

## HALK REAL ESTATE INVESTMENT TRUST, INC

### 19. OTHER OPERATING INCOME / (EXPENSE)

For the years ended 31 December 2013 and 2012 other operating income / (expense) are as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
<b>Other operating income</b>		
Foreign exchange gains	1,427,368	33,843
<b>Other operating expense</b>		
Foreign exchange expenses	2,468,834	18,067

### 20. FINANCIAL EXPENSE

For the years ended 31 December 2013 and 2012, financial expenses are as follows:

	1 January- 31 December 2013	1 January- 31 December 2012
Interest expenses	4,184,441	7,996,876
<b>Total</b>	<b>4,184,441</b>	<b>7,996,876</b>

### 21. TAX ASSETS AND LIABILITIES

According to Article 5/1(d) (4) of the Corporate Tax Law numbered 5520, the income of real estate investment trusts is exempt from Corporate Income Tax in Turkey.

### 22. EARNINGS PER SHARE

Earnings per share stated in statement of comprehensive income are calculated by dividing net income for the period by the weighted average number of the Company's shares for the year. The Company does not have diluted earnings per share.

	1 January- 31 December 2013	1 January- 31 December 2012
Net profit for the period	31,510,827	12,065,699
Weighted average number of shares	644,845,920	487,824,680
Earnings per share	0.04887	0.02473

### 23. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

This note presents information about the Company's exposure to each of the below risks, the Company's objectives, policies and processes for measuring and managing risk. The Company has exposure to the following risks from its operations:

- credit risk,
- liquidity risk,
- market risk.

## HALK REAL ESTATE INVESTMENT TRUST, INC

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### **23.1. Credit risk**

The ownership of the financial assets brings the risk of not meeting the obligations of the agreement of the counter party. These risks are controlled by credit evaluations and restricting the maximum exposure to a counter party.

The Company has rented the substantial portion of its portfolio to main shareholder, group companies and government's institutes. Guarantee letters has been taken from the rest of its tenants and limits the credit risk.

## HALK REAL ESTATE INVESTMENT TRUST, INC

As at 31 December 2013, credit risk exposure of financial assets is as follows:

31 December 2013	Receivables							Total
	Trade receivables		Other receivables		Bank Deposits	Financial Invesments	Other	
	Related parties	Other parties	Related parties	Other parties				
<b>Exposure to maximum credit risk as at reporting date (A+B+C+D)</b>	--	--	--	14,573,988	70,914,331	103,199,138	--	188,687,457
- Guaranteed portion of maximum credit risk by warrants etc.	--	--	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	--	--	--	14,573,988	70,914,331	103,199,138	--	188,687,457
B. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--	--	--
C. Net carrying value of impaired assets	--	--	--	--	--	--	--	--
- Overdue (Gross Book Value)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--	--	--
- Not impaired (gross book value)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--	--	--
D. Off balance sheet items with credit risks	--	--	--	--	--	--	--	--

The Company does not have overdue but impaired any financial asset as at 31 December 2013.



## HALK REAL ESTATE INVESTMENT TRUST, INC

As at 31 December 2012, credit risk exposure of financial assets is as follows

31 December 2012	Receivables				Bank Deposits	Financial Invesments	Other	Total
	Trade receivables		Other receivables					
	Related parties	Other parties	Related parties	Other parties				
<b>Exposure to maximum credit risk as at reporting date (A+B+C+D)</b>	--	--	--	11,050,170	6,477,468	153,334	--	17,680,972
- Guaranteed portion of maximum credit risk by warrants etc.	--	--	--	--	--	--	--	--
A. Net carrying value of financial assets which are neither impaired nor overdue	--	--	--	11,050,170	6,477,468	153,334	--	17,680,972
B. Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--	--	--
C. Net carrying value of impaired assets	--	--	--	--	--	--	--	--
- Overdue (Gross Book Value)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--	--	--
- Not impaired (gross book value)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--	--	--
D. Off balance sheet items with credit risks	--	--	--	--	--	--	--	--

The Company does not have overdue but impaired any financial asset as at 31 December 2012.

## HALK REAL ESTATE INVESTMENT TRUST, INC

### 23.2. Liquidity risk

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity.

The following table presents the Company's undiscounted cash outflows according to their remaining contractual maturities:

<b>Contractual Maturities</b>						
<b>31 December 2013</b>	<b>Carrying value</b>	<b>Total of contractual cash flows</b>	<b>Up to 3 months</b>	<b>3 months to 1 year</b>	<b>1 year to 5 years</b>	<b>More than 5 years</b>
<i>Non-derivative financial liabilities</i>						
Financial liabilities	18,537,660	25,884,654	872,976	2,622,122	14,080,758	8,308,798
<b>Total</b>	<b>18,537,660</b>	<b>25,884,654</b>	<b>872,976</b>	<b>2,622,122</b>	<b>14,080,758</b>	<b>8,308,798</b>

<b>Expected Maturities</b>						
<b>31 December 2013</b>	<b>Carrying value</b>	<b>Expected cash outflow total</b>	<b>Up to 3 months</b>	<b>3 months to 1 year</b>	<b>1 year to 5 years</b>	<b>More than 5 years</b>
<i>Non-derivative financial liabilities</i>						
Trade payables	2,381,906	2,381,906	2,381,906	--	--	--
Other short term liabilities	66,849,960	66,849,960	802,317	66,047,643	--	--
<b>Total</b>	<b>69,231,866</b>	<b>69,231,866</b>	<b>3,184,223</b>	<b>66,047,643</b>	--	--

<b>Contractual maturities</b>						
<b>31 December 2012</b>	<b>Carrying value</b>	<b>Total of contractual cash flows</b>	<b>Up to 3 months</b>	<b>3 months to 1 year</b>	<b>1 year to 5 years</b>	<b>More than 5 years</b>
<i>Non-derivative financial liabilities</i>						
Financial liabilities	94,202,352	153,183,087	10,022,789	12,040,002	64,603,334	66,516,962
<b>Total</b>	<b>94,202,352</b>	<b>153,183,087</b>	<b>10,022,789</b>	<b>12,040,002</b>	<b>64,603,334</b>	<b>66,516,962</b>

<b>Expected Maturities</b>						
<b>31 December 2012</b>	<b>Carrying value</b>	<b>Total of contractual cash flows</b>	<b>Up to 3 months</b>	<b>3 months to 1 year</b>	<b>1 year to 5 years</b>	<b>More than 5 years</b>
<i>Non-derivative financial liabilities</i>						
Trade payables	198,050	198,050	198,050	--	--	--
Financial liabilities	19,149,403	19,149,403	--	--	19,149,403	--
<b>Total</b>	<b>19,347,453</b>	<b>19,347,453</b>	<b>198,050</b>	--	<b>19,149,403</b>	--

As at 31 December 2013, the company has not non-derivative financial liabilities (31 December 2012: None).

## HALK REAL ESTATE INVESTMENT TRUST, INC

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### 23.3. Market risk

The Company is exposed to various market risks, including the effects of changes in exchange rates, interest rates, equity prices and credit spreads.

The total risk management program of the Company focuses on the unpredictability of the financial markets and aims at reducing the potential negative effects on the Company's financial performance.

#### *Foreign currency risk*

Exchange risk comprises the effects arising from exchange movements in the event foreign currency assets, liabilities and off-balance sheet items are owned. The Company is exposed to foreign currency risk regarding the sale of residential units to foreign customers at Bakırköy Project as generally ABD Dollar ("USD") bonds and checks.

As at 31 December 2013 and 31 December 2012, foreign currency assets and liabilities are as follows:

	<b>31 December 2013 (Balance TL)</b>	<b>31 December 2012 (Balance TL)</b>
Total foreign currency assets	3,947,424	1,214,920
Total foreign currency liabilities	(15,073,180)	--
<b>Net exposure</b>	<b>(11,125,756)</b>	<b>1,214,920</b>

# HALK REAL ESTATE INVESTMENT TRUST, INC

	31 December 2013		31 December 2012	
	TL(functional currency)	USD	TL(functional currency)	USD
1. Trade Receivables	1,321,680	619,257	1,214,920	681,544
2a. Monetary Financial Assets	--	--	--	--
2b. Non-monetary Financial Assets	--	--	--	--
3. Other	--	--	--	--
<b>4. CURRENT ASSETS</b>	<b>1,321,680</b>	<b>619,257</b>	<b>1,214,920</b>	<b>681,544</b>
5. Trade Receivables	2,625,744	1,230,260	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non-Monetary Financial Assets	--	--	--	--
7. Other	--	--	--	--
<b>8. NON-CURRENT ASSETS</b>	<b>2,625,744</b>	<b>1,230,260</b>	--	--
<b>9. TOTAL ASSETS</b>	<b>3,947,424</b>	<b>1,849,517</b>	--	--
10. Trade Payables	5,772	2,704	--	--
11. Financial Liabilities	--	--	--	--
12a. Financial Liabilities	15,067,408	7,059,649	--	--
12b. Non-Monetary Liabilities	--	--	--	--
<b>13. Short-Term Liabilities</b>	<b>15,073,180</b>	<b>7,062,353</b>	--	--
14. Trade Payables	-	-	--	--
15. Financial Liabilities	--	--	--	--
16a. Financial Liabilities	--	--	--	--
16b. Non-Monetary Liabilities	--	--	--	--
<b>17. Long-Term Liabilities</b>	--	--	--	--
<b>18. TOTAL LIABILITIES</b>	<b>15,073,180</b>	<b>7,062,353</b>	--	--
19. Off balance sheet derivatives net asset/liability position(19a-19b)	--	--	--	--
19.a Active off balance sheet derivative(foreign currency)	--	--	--	--
19b. Passive off balance sheet derivative(foreign currency)	--	--	--	--
20. Net foreign currency asset liability position	<b>(11,125,756)</b>	<b>(5,212,836)</b>	<b>1,214,920</b>	<b>681,544</b>
21. Monetary accounts net foreign currency asset/liabilities position (1+2a+5+6a-10-11-12a-14-15-16a)	<b>(11,125,756)</b>	<b>(5,212,836)</b>	<b>1,214,920</b>	<b>681,544</b>
22. Fair Value of financial assets used for forei currency hedge	--	--	--	--
23. Hedged Foreign Currency Assets Amount	--	--	--	--
24. Hedged Foreign Currency Liabilities Amount	--	--	--	--

## HALK REAL ESTATE INVESTMENT TRUST, INC

*Foreign currency sensitivity analysis;*

<b>31 December 2013</b>	<b>Profit/(Loss)</b>		<b>Shareholder's Equity</b>	
	<b>Devaluation of TL</b>	<b>Evaluation of TL</b>	<b>Devaluation of TL</b>	<b>Evaluation of TL</b>
<i>10% change in USD against TL;</i>				
1-USD net assets/(liabilities)	(1,112,576)	1,112,576	(1,112,576)	1,112,576
2-USD proportion hedged from changes (-)	-	-	-	-
<b>3-USD net effect ( 1+ 2)</b>	<b>(1,112,576)</b>	<b>1,112,576</b>	<b>(1,112,576)</b>	<b>1,112,576</b>
<b>Total</b>	<b>(1,112,576)</b>	<b>1,112,576</b>	<b>(1,112,576)</b>	<b>1,112,576</b>

<b>31 December 2012</b>	<b>Profit/(Loss)</b>		<b>Shareholder's Equity</b>	
	<b>Devaluation of TL</b>	<b>Evaluation of TL</b>	<b>Devaluation of TL</b>	<b>Evaluation of TL</b>
<i>10% change in USD against TL;</i>				
1-USD net assets/(liabilities)	121,492	(121,492)	121,492	(121,492)
2-USD proportion hedged from changes (-)	--	--	--	--
<b>3-USD net effect ( 1+ 2)</b>	<b>121,492</b>	<b>(121,492)</b>	<b>121,492</b>	<b>(121,492)</b>
<b>Total</b>	<b>121,492</b>	<b>(121,492)</b>	<b>121,492</b>	<b>(121,492)</b>

## HALK REAL ESTATE INVESTMENT TRUST, INC

### *Interest rate risk*

The Company is exposed to interest rate risk due to interest earning assets and bearing liabilities.

The table below shows the financial instruments sensitive to interest rates as at 31 December 2013 and 31 December 2012:

	31 December 2013	31 December 2012
<b><i>Financial instruments with fixed interest rates</i></b>		
Financial assets	175,294,044	6,535,591
<i>Time deposits</i>	70,839,906	6,382,257
<i>Reverse repo</i>	1,255,000	--
<i>Government bond</i>	35,675,269	--
<i>Bank bond</i>	67,523,869	153,334
Financial liabilities	18,537,660	94,202,352

Weighted interest rates which are applied to financial instruments as at 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
<b><i>Financial instruments</i></b>		
Time deposits –TL	%9.38	%5.18
Financial investment-TL	%7.51	%8.39
Loans and borrowings-TL	%8.00	%10.28

### *Interest rate sensitivity:*

Based on the analysis calculated by the Company, if the interest rate for TL were increased/decreased by the rate below with the assumption of keeping all other variables constant, the effect on the fair value of fixed income financial assets and net profit/loss and the effect on equity for the years ended as at 31 December 2013 and 2012 would be as follows:

This analysis assumes that all other variables remain constant.

	Profit/loss		Comprehensive income statement <sup>(*)</sup>	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2013</b>	(284,640)	284,640	(281,581)	281,581
<b>31 December 2012</b>	(242)	242	(242)	242

(\*) Profit/loss effect is included.

# HALK REAL ESTATE INVESTMENT TRUST, INC

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## *Other Price Risks :*

The Company is exposed to stock price risk as it has stock investment.

Following sensitivity analysis is noted according to share certificate risk that is exposed on reporting date.

As at 31 December 2013, if valuation price of share certificates that are recognized at fair value through profit and loss, increases 10%, net profit of the Company will increase amounting to TL 98,887, ceteris paribus (31 December 2012: None). If variables above mentioned has decreased 10% net profit of the Company will decrease amounting to TL 98,887 (30 December 2012: None).

## **23.4. Capital management**

The Company manages capital by using effective portfolio management to reduce the risk of investment. The main objectives of the Company are to continue operations with generating revenue, to secure the benefits of the shareholders, cost of capital and to continue the optimum level of net liabilities/equity and to achieve the efficient capital structure continuity.

## **24. FINANCIAL INSTRUMENTS**

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties.

A number of the Company's accounting policies and disclosures require the determination of fair value for financial assets and liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Following assumptions and methods are used to estimate fair value of financial instruments, if fair values are applicable.

### ***Financial assets***

Financial investments, recognised in financial statements are reflected at fair values. The Company assumes that the carrying values of the cash and cash equivalents are close to their fair value because of their short-term nature.

### ***Trade receivables***

As at 31 December 2013, fair value of the long term trade receivables are computed based on the Company's default interest on contracts for trade receivable as of reporting date. The carrying values of short-term trade receivables are assumed to be close to their fair values due to their short term nature.

### ***Financial liabilities***

#### **Loans and borrowings**

As at 31 December 2013, fair value of loans and borrowings are calculated by using the market interest rate of similar borrowings.

#### **Trade and other payables**

The Company assumes that the carrying values of the trade payables are close to their fair value because of their short-term nature.

## HALK REAL ESTATE INVESTMENT TRUST, INC

### *Fair value of Financial Instruments*

Except assets and liabilities presented below, the Company's management thought that recognised amounts of financial assets and liabilities in financial statements are close to fair values.

The table below represents comparison of fair value and recorded amount of financial instruments.

	Note	31 December 2013		31 December 2012	
		Carrying value	Fair value	Carrying value	Fair value
<u>Financial Assets</u>					
Bank bonds	5	67,523,869	67,486,306	153,334	153,334
Reverse repo	4	1,255,000	1,255,000	--	--
Government bonds	5	35,675,269	35,655,423	--	--
Share certificates	5	988,873	988,873	--	--
	6			11,050,17	
Trade receivables		14,573,988	14,204,486	0	9,670,983
<u>Financial Liabilities</u>					
	12			94,202,35	
Loans and borrowings		18,537,660	18,914,789	2	95,385,444

### *Classification of Fair Value Measurement*

TFRS 7 – Financial Instruments requires the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company.

This distinction brings about a fair value measurement classification generally as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Classification requires using observable market data if possible.



## HALK REAL ESTATE INVESTMENT TRUST, INC

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In this context, classification of fair value of financial assets and liabilities measured at fair value are as follows:

<b>31 December 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Financial investments:</i>				
Government bonds	35,675,269	--	--	35,675,269
Share certificate	988,873	--	--	988,873
<b>Total financial assets</b>	<b>36,664,142</b>	--	--	<b>36,664,142</b>

<b>31 December 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Financial investments:</i>				
Bank bond	153,334	--	--	153,334
<b>Total financial assets</b>	<b>153,334</b>	--	--	<b>153,334</b>

### 25. SUBSEQUENT EVENTS

None.

## HALK REAL ESTATE INVESTMENT TRUST, INC

### 26. CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO

The information contained herein, is summary information derived from the financial statements according to "Communiqué on Financial Reporting in Capital Market" of CMB and is these information has been prepared in accordance with the control of portfolio limit compliance of CMB's "Communiqué on Principles Regarding Real Estate Investment Trusts", published in the Official Gazette numbered 28660 and III-48.1. In addition, as indicated in Note 1, information in the financial statement of the company is unconsolidated datas due to The Company has no subsidiary or joint venture.

As at December 31 2013, the company complied with the restrictions that stated on the paragraph "a,b,c,ç and d" of 24. substance, 22. and 38. substance of CMB's "Communiqué on Principles Regarding Real Estate Investment Trusts," published in the Official Gazette numbered 28660 and III-48.1 and the ratios related with these restrictions is shown below. (31 December 2012: There is no incompliance.)

Financial Statement Primary Accounts Items	Regulations	31 December 2013 (TL)	31 December 2012 (TL)
A Monetary and Capital Market Instruments	Serial: III-48.1, Article 24/(b)	176,357,342	6,630,802
B Real estates, based on Real Estates, Rights based on Real Estates	Serial: III-48.1, Article 24/(a)	660,714,993	643,766,003
C Subsidiaries	Serial: III-48.1, Article 24/(b)	--	--
Due from related parties (non-trade)	Serial: III-48.1, Article 23/(f)	--	--
Other assets		53,059,559	28,637,243
<b>D Total Assets</b>	Serial: III-48.1, Article 3/(k)	<b>890,131,894</b>	<b>679,034,048</b>
E Loans and borrowings	Serial: III-48.1, Article 31	18,537,660	94,202,352
F Other financial liabilities	Serial: III-48.1, Article 31	--	--
G Financial leasing obligation	Serial: III-48.1, Article 31	--	--
H Due to related parties (non-trade)	Serial: III-48.1, Article 23/(f)	--	--
I Equity	Serial: III-48.1, Article 31	769,176,013	520,472,644
Other liabilities		102,418,221	64,359,052
<b>D Total liabilities and equity</b>	Serial: III-48.1, Article 3/(k)	<b>890,131,894</b>	<b>679,034,048</b>
		31 December 2013 (TL)	31 December 2012 (TL)
<b>Other Financial Information</b>	<b>Regulations</b>		
A1 Financial Markets Instruments held for three years payment of Real Estates	Serial: III-48.1, Article 24/(b)	--	--
A2 Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article 24/(d)	70,846,371	6,477,468
A3 Foreign Capital Market Instruments	Serial: III-48.1, Article 24/(d)	--	--
B1 Foreign Real Estates, Projects, based on Real Estates	Serial: III-48.1, Article 24/(d)	--	--
B2 Idle land	Serial: III-48.1, Article 24/(c)	--	--
C1 Foreign Subsidiaries (Operating Companies)	Serial: III-48.1, Article 24/(d)	--	--
C2 Subsidiaries (Operating Companies)	Serial: III-48.1, Article 28	--	--
J Non-cash loans	Serial: III-48.1, Article 31	--	--
K Mortgage Amounts on Land that Project to be Developed and the Ownership Does Not Belong the Partnership	Serial: III-48.1, Article 22/(e)	--	--

## HALK REAL ESTATE INVESTMENT TRUST, INC

Portfolio Restrictions	Regulations	Calculation	Min. /Max. Rate	31 December 2013 (TL)	31 December 2012 (TL)
1 Mortgage Amounts on Land that Project to be Developed and the Ownership Does Not Belong the Partnership	Serial: III-48.1, Article 22/(e)	K/D	Maximum %10	--	--
2 Real estates, based on Real Estates, Rights based on Real Estates	Serial: III-48.1, Article 24/(a),(b)	(B+A1)/D	Minimum %51	74.23%	94.92%
3 Monetary and Capital Market Instruments	Serial: III-48.1, Article 24/(b)	(A+C-A1)/D	Maximum %49	19.81%	0.98%
4 Foreign Real Estates, Projects,based on Real Estates, Rights based on Real Estates, Subsidiaries	Serial: III-48.1, Article 24/(d)	(A3+B1+C1)/D	Minimum %49	--	--
5 Idle Land	Serial: III-48.1, Article 27/(c)	B2/D	Maximum %20	--	--
6 Subsidiaries (Operating Companies)	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	2.41%	18.10%
8 Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article 22/(e)	(A2-A1)/D	Maximum%10	7.96%	0.96%





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