



HALKGYO

Halk Real Estate Investment Trust

Annual Report By The Board Of Directors 2014

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Independent Auditor's Report for 2014

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

COMPLIANCE REPORT

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

Report on the Audit of Board of Directors' Annual Report Based on Standards on Auditing which is a Component of The Turkish Auditing Standards Published by The Public Oversight Accounting and Auditing Standards Authority

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

We have audited the accompanying annual report of Halk Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (the "Company"), for the year ended 31 December 2014.

Board of Directors' Responsibility for the Annual Report

Pursuant to the article 514 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting In Capital Markets numbered II – 14.1 ("Communiqué"), management is responsible for the preparation of the annual report fairly and consistent with the financial statements and for such internal control as management determines is necessary to enable the preparation of such annual report.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's annual report based on our audit in accordance with article 397 of the TCC and Communiqué whether the financial information included in the accompanying annual report is consistent with the audited financial statements expressed in the auditor's report of the Company dated 17 February 2015 and provides fair presentation.

Our audit has been conducted in accordance with the Standards on Auditing which is a component of the Turkish Auditing Standards ("TAS") published by the POA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information included in the annual report is consistent with the financial statements and provide fair presentation. An audit also includes performing audit procedures in order to obtain audit evidence about the historical financial information. The procedures selected depend on the auditor's judgment. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial information included in the annual report is consistent, in all material respects, with the audited financial statements and provides a fair presentation

Report on Other Regulatory Requirements

In accordance with the third clause of the article 402 of TCC, no material issue has come to our attention that shall be reported about the Company's ability to continue as a going concern in accordance with TAS 570 Going Concern.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Erdal Tıkmak
Certified Public Accountant Partner
17 February 2015
İstanbul, Turkey

FROM CHAIRMAN...

Dear Shareholder;

Halk GYO has surpassed its fourth year by positive corporate development, new projects and affirmative financial performance. I'm proud of sharing this bright picture with You.

By carrying out its activities in line with Corporate Governance Principle and managing its portfolio efficiently, our company has achieved its aim "sustainable success in all areas" in 2014 again and it has continued to increase its profitability.

The year of 2014, in which intense developments in Turkey and in the World were followed, is completed with the affirmative and concrete developments by our company. Our company's real estate portfolio was reached 1.5 billion TL by increasing nearly 3- fold since the establishment. It was also diversified by the investments to the residential, hospitality and office projects.

Our Company, which has acquired a pioneer position in the sector, would maintain to attract the investors' confidence with its sustainably growth and profitability. I am confident, that our company will continue to increase its success and value in every sense as a result of the ongoing projects and upcoming investments.

I offer my heartfelt gratitude to all of our employees who contribute to this success and to valued shareholders who appreciate our Company's development.

Sincerely
Hasan CEBECİ
Chairman



FROM GENERAL MANAGER...

Dear Stakeholder;

We are so proud of undertaking many projects in the Turkish real estate sector since 2010 and contributing to the growth of Turkey's economy with new projects and it gives us a great pleasure to experience this pride with You, our valued stakeholders.

Since its establishment, Halk GYO, has given a new impulse and acceleration to real estate market through its projects.

At the end of 2014, our Company achieved to TL 1.5 billion real estate portfolio sizes and kept his promise to its investors by reaching to 7.68% return on average equity ratio.

2014 was the year in which some of our Company's projects were completed while some of them were ready to deliver.

To start the deliveries from "Referans Bakırköy" residential project and to be close for the opening "İstanbul Dedeman Park Levent" hotel project have been good motivations to add new projects to our portfolio.

With the positive contribution of "Referans Bakırköy" project to the profitability; at the end of 2014, our total revenue had been reached to TL 86.6 million and our net profit to TL 61.3 million by a 95% yearly Increase.

Our Panorama Plus Residential Project construction works have been almost finished and we are planning to start to the deliveries in the summer of 2015.

In 2014, goodwill agreements, about leasing our biggest project "İstanbul Finance Center" and our ongoing project "Şekerpinar Banking Operation Center" had been signed with Halkbank.

During the year, while excavation and shoring works of İstanbul Finance Center Project were almost being completed, we received Environmental Impact Assessment Report which clarified that "EIA is not required". After the EIA, we are aiming to complete the all necessary processes in the year of 2015 like taking relevant construction permit and tendering for the main contractor.

In late 2014, we established a joint venture with Vakıf GYO to develop our second residential project in Anatolian side of İstanbul. We bought approximately 98 thousand sqm of land for TL 110 million in Sancaktepe one of the fastest growing districts of İstanbul.

Together with you, our stakeholders, we are moving forward with firm steps on our targeted road year by year by growing our equity with the increasing profitability. I would like to thank warmly all my employees and our main shareholder Halkbank. and to express my sincere gratitude to our Board of Directors, stakeholders and co-partners.

Sincerely,
Kazım ŞİMŞEK
General Manager



COMPANY PROFILE

About the Company

Founded in 2010 as a subsidiary of Türkiye Halk Bankası A.Ş. with a total capital valued at TL 477 million with TL 466 million of it being in-kind, Halk Gayrimenkul Yatırım Ortaklığı A.Ş.. (Halk GYO) is a company which invests in real estates, rights on real estates, real estate projects and capital market instruments.

Our Company observes the regulations of the Capital Market Board and the relevant 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 2014 with a real estate portfolio of TL 1.5 billion at current values, assets' size of TL 928.4 million and equity of TL 827.7 million.

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

VISION

To be one of the leading companies within REIT sector and always be preferred by investors, by looking after the rights of all stakeholders with its transparent corporate governance structure...

MISSION

To create always value for their stakeholders, to contribute in the improvement of REIT sector, and to become a global company...

STRATEGY

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

2010 - 2011



October 2010
Establishment

April 2011
Adding the Beyoğlu building to the portfolio and in September 2011, selling it with a profit of TL 18.5 million.

September 2011
Adding the Bakırköy- Osmaniye land to the portfolio.

December 2011
Acquiring Halkbank Finance Tower in the project phase, Making a profit of TL 30 million in the first fiscal year with the contribution of real estate sales to Board of Directors profitability.

2012

January 2012
Adding the Eskişehir land to the portfolio.

February 2012
Finalizing Bakırköy-Osmaniye land tender with a minimum TL 90.5 million, guaranteed revenue share.

April 2012
Signing 10-year lease agreement with the Dedeman Group.

September 2012
Adding the Kocaeli-Şekerpınar land to the portfolio. Moving the Company's Head Office to Şerifali district.



2013

January 2013
Beginning the construction works on "Dedeman Park Levent Hotel" Project. Beginning the excavation and shoring works on IFM Project.

February 2013
Completing the procedures for IPO and generating TL 250 million cash injection to the company from it.

April 2013
Beginning the construction on "Eskişehir Panorama Plus" Residential Project.

August 2013
Beginning the construction on the first part of the Şekerpınar Operation Center Project.

2014

January 2014
Starting the deed transfer processes for the "Referans Bakırköy" project.

March 2014
Obtaining the construction license for the second part of the Şekerpınar Operation Center Project.

September 2014
Established a joint venture with Vakıf REIT to develop a residential project in Sancaktepe, Istanbul.

October 2014
Acquiring a land for TL 110 million in Sancaktepe for the planned residential project.



BOARD OF DIRECTORS

The authorities and responsibilities of the Members of Board of Directors are regulated in the Company's Articles of Association. The Company is managed and represented by the Board of Directors. The Board of Directors executes the duties assigned by the General Assembly pursuant to Turkish Commercial Code, Capital Market Legislation, and other relevant legislation. The Board of Directors consists of five members of which 2 are independent.

Name	Title	Start Date of Term of office	Date of Election	*Term of Office
Hasan CEBECİ	Chairman	29.03.2011	10.04.2014	3 years
Ahmet YARIZ	Vice Chairman	29.03.2011	10.04.2014	3 years
**Levent KILIÇ	Member	18.10.2010	10.04.2014	3 years
Yunus KARAN	Member	14.05.2012	10.04.2014	3 years
Yüksel GÖRGEÇ	Independent Member	14.05.2012	10.04.2014	3 years
Yahya BAYRAKTAR	Independent Member	10.04.2014	10.04.2014	3 years

*The Board of Directors has been re-elected to hold office for the further 3 years during the Ordinary General Assembly of 2013 meeting held on 10.04.2014.

**The Company's Board Member Mr. Levent KILIÇ resigned voluntarily from his duty in 8.12.1014.



HASAN CEBECİ - Chairman

He was born in 1949 in Çankırı. 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. Vakıflar Bankası 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 Bankası A.Ş. on 28.03.2003, and had continued to hold office at the position of General Manager and CEO as of 08.12.2003. Mr. Cebeci who elected as the Chairman of the Board of Directors at T. Halk Bankası A.Ş. on 13.04.2005 has been holding office as the Chairman of the Board of Directors at T. Halk GYO A.Ş. as of 29.03.2011.



DR. AHMET YARIZ - Vice Chairman

He was born in 1966 in Elazığ. He completed his undergraduate studies at the Faculty of Business Administration, İstanbul University and his graduate and doctorate studies at the Institute of Banking and Underwriting, Marmara University. He started his banking career at Sinaî Yatırım ve Kredi Bankası 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. Vakıflar Bankası 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 Bankası A.Ş. as of 09.04.2008 and he has been assigned as the Deputy Chairman of the Board of Directors as of 10.04.2014.



YUNUS KARAN - Member

He was born in 1940 in Giresun. He completed his undergraduate studies in 1964 at the Department of Finance & Accounting, İstanbul Academy of Economics and Commercial Sciences. Having started to hold office at Rize Branch of T.C. Ziraat Bankası A.Ş. in 1965, Mr. KARAN had held office of Branch Manager at Dolapdere, Sehremini and Fatih branches of T.C Ziraat Bankası A.Ş. 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.Ş. between 2002 and May, 2012, Mr. KARAN has been assigned to the position of the Independent Member of the Board at Halk GYO A.Ş. on 14.05.2012 and assigned to the position of Member of the Board of Directors at Halk GYO on 10.04.2014



YÜKSEL GÖRGEÇ - Independent Member

He was born in 1960 in Osmancık/ 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 Türk Katılım Bankası A.Ş. 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 Yatırım Ortaklığı A.Ş. on 14.05.2012.



YAHYA BAYRAKTAR - Independent Member

He was born in 1955, Erzincan / Kemaliye. He graduated from İstanbul Religious Vocational High School in 1974 and Business Administration Department of Economics and Administrative Sciences Faculty, METU (Middle East Technical University), Ankara in 1981. In 1982, he started to work as Deputy Inspector and worked as Inspector between the years of 1986 and 1988 in Yapı Kredi Bank. In 1988, he started as Inspector in Faisal Financial Institution and became the Principal of Funds and Banking Department and continued as Fund Management Principal. In 2009, he worked as Branch Principal of Türkiye Finans Katılım Bankası. Now he is Independent Board Member of Vakıf Securities Investment Trust Co. while he is also General Secretary of Erzincan Eğitim ve Kültür Foundation in which he is responsible for the organizations of student scholarship and educating activities. As of 10.04.2014, he has been fulfilling the duty of Independent Board Member of our Company.



BOARD OF DIRECTORS MEMBERS' AUTHORIZATIONS AND LIMITATIONS

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. There is no settled limitation for Board Members to take one or more additional duties from outside of the Company in accordance with TCC provisions relating to non-competition clauses. In 2014, any action taken with the Company and any situation contrary to the prohibition of competition were not experienced.

BOARD OF DIRECTORS MEETINGS

During 2014, Board of the Directors assembled 53 times and took 112 decisions.

TO THE CHAIRMAN OF THE BOARD OF DIRECTORS OF HALK GAYRIMENKUL YATIRIM ORTAKLIĞI ANONİM SİRKETİ 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.

14.5.2012
Yüksel BÖĞÜÇ


TO THE CHAIRMAN OF THE BOARD OF DIRECTORS OF HALK GAYRIMENKUL YATIRIM ORTAKLIĞI ANONİM SİRKETİ INDEPENDENCE STATEMENT

I declare that;

I do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between Halk GYO A.Ş., companies on which Halk GYO A.Ş. hold control of management or significant effect and shareholders who hold control of management of Halk GYO A.Ş. or have significant effect in Halk GYO A.Ş. and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree, In the last five years, I did not serve as a partner (5% and more), at a manager position to undertake significant duties and responsibilities or as a board member, particularly for control (including tax audit, statutory audit, internal audit), rating and consulting of Halk GYO A.Ş., in the companies that Halk GYO A.Ş. has sold or purchased significant amount of goods or services in the framework of the investigations, in the selling or purchasing goods or services period,

I have professional education, knowledge and experience to fulfill the duties assigned for being an independent board member,

I do not be a full time employee at public authorities and institutions after being elected as an independent member,

I am located in Turkey in accordance with the Income Tax Law (I.T.L) dated 31 December 1960 and numbered 193.

I have strong ethical standards, professional reputation and experience to contribute positively to Halk GYO A.Ş. operations, to maintain my objectivity on the conflicts of interest between Halk GYO A.Ş. and its shareholders, to decide freely considering the rights of the stakeholders,

I will allocate time for Halk GYO A.Ş. business in order to follow up the activities of the Halk GYO A.Ş. and duly fulfill the allocated duties,

I did not serve as board member more than six years in the Board of Directors of the Halk GYO A.Ş., in the last ten years,

I did not serve as an independent member of the board of directors in more than three of the companies as such; Halk GYO A.Ş. or the controlling shareholders of Halk GYO A.Ş. who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,

I am not registered and announced as a board member representing Halk GYO A.Ş.

0/04/2014
Yahya BAYRAKTAR


COMMITTEES OF BOARD OF DIRECTOR

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.

A Corporate Governance Committee has been set up in accordance with the Capital Markets Board's rules and regulations related to corporate governance and it has been charged with fulfilling its incumbent duties and responsibilities which are specified under Corporate Governance Principles. This Committee regularly overviews the Company's corporate governance practices and it exerts effort to make improvements in them. In addition to its corporate governance functions, this Committee also gives a crucial importance to investor relations. At regular intervals, the Committee follows the Company's investor relations activities and strategies and it provides that the Board of Directors is kept regularly informed about such issues. Besides these functions, the Committee also gets into the acts in such areas as providing coordination among other committees and backing up their activities if necessary. During the period, Committee assembled for 4 meetings and took 4 decisions.

Corresponding its incumbent duties incumbent as indicated in its operating principles and pursuant to the principles of applicable Capital Market Laws, regulations, and administrative provisions during the period, the Audit Committee actively works in such subjects of publicly disclosing the Company's financial statements, having independent audits conducted, ensuring that the Company's internal control system functions in an effective way, electing members to Audit Committee and reviewing all other aspects of the independent auditors' activities.

During the period, Committee assembled for 8 meetings and took 4 decisions. In accordance with the CMB rules and regulations of corporate governance, the Committee for Early Detection of Risk has been established to early detect the threatening risks upon Company's existence, development and survival, to take the necessary provisions for identified risks, to manage the risks pursuant to Article 38 of TCC and to supervise the risk management systems. During the period, Committee assembled for 6 meetings and took 6 decisions.

Remuneration Committee sets forth the remuneration principles, criteria and practices for members of the Board of Directors and executives by considering the Company's long-term objectives and overseeing the resulting compensation policy and practices and presents Committee's recommendations to the Board of Directors about the pay packages to be offered to the members of the Board of Directors and executives, taking into consideration the level of achievement with respect to the criteria used in remuneration.

As of 31.12.2014, committees and their task distributions are as stated below.

Members of Audit Committee

Name	Title
Yüksel GÖRGEÇ	Chairman- Independent Member
Yahya BAYRAKTAR	Member- Independent Member

Members of Corporate Governance Committee

Name	Title
Yahya BAYRAKTAR	Chairman- Independent Member
Yunus KARAN	Member- Member
Uğur GÜNEY	Member- Group President of Investor Relations

Members of Early Detection of Risk Committee

Name	Title
Yüksel GÖRGEÇ	Chairman- Independent Member
Yahya BAYRAKTAR	Member- Independent Member

Remuneration Committee

Name	Title
Yüksel GÖRGEÇ	Chairman- Independent Member
Yunus KARAN	Member- Member

OPERATING PRINCIPLES OF THE COMMITTEES

The Company's committees, established within the framework of both Corporate Governance by CMB and Board of Directors, assembled at least once in 3 months and informed the Board of Directors about the issues to which they are responsible regarding their existing operating principles. In this context;

Audit Committee; the Audit Committee actively works in such subjects of publicly disclosing the Company's financial statements, having independent audits conducted, ensuring that the Company's internal control system functions in an effective way, electing members to Audit Committee and reviewing all other aspects of the independent auditors' activities. The committee holds the necessary meetings for the subjects required to be in the Board of Directors agenda and presented its report and opinions to the Board. During the period, Committee assembled for 8 meetings in accordance with the topics mentioned above and took 4 decisions so as to submit them to the Board of Directors.

A Corporate Governance Committee; this Committee regularly overviewed the Company's corporate governance practices and it exerted effort to make improvements in them. After each quarterly fiscal period, on the point of evaluating the Company's annual report, Investor Relations Department's annual report and Company's operations in terms of compliance with the Company's Corporate Governance Principles, the committee holds the necessary meetings for the subjects required to be in the Board of Directors agenda and presented its report and opinions to the Board. During the period, Committee assembled for 4 meetings in accordance with the topics mentioned above and prepared 4 reports so as to submit them to the Board of Directors.

Early Detection of Risk Committee; during the period, this committee not only hold the meetings about the topics of credit risk related to the Company's operations, magnitudes of interest rate risks, time sheet of liquid ratios, legal and operational risks of the Company, occupational health and safety practices for Company's ongoing projects; but also submit its reports related to these topics to the Board of Directors. During the period, Committee assembled for 6 meetings in accordance with the topics mentioned above and prepared 6 reports so as to submit them to the Board of Directors.

Remuneration Committee; in the period, this Committee presented its recommendations to the Board of Directors about the pay packages to be offered to the members of the Board of Directors and executives, considering the level of achievement with respect to the criteria used in remuneration. The Committee's report related to 2013 remunerations of Board of Directors and executives took place as a recommendation in Article 9 of Ordinary General Assembly and was approved.

*Sincerely,
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.
Board of Directors*

Executives

Name	Title	Profession
Kazım ŞİMŞEK	General Manager (CEO)	Business Manager
Şeref AKGÜL	Vice General Manager (CFO)	Economist
Erdoğan YILMAZ	Group President of Finance	Public Accountant
Uğur GÜNEY	Group President of Investor Relations	Business Manager
Erdal BEKİN	Group President of Project Implementation	Civil Engineer
Harun ŞAHİN	Risk Management Director	Business Manager
Aysun KAHRAMAN EZER	Internal Audit and Risk Control Director	Business Manager

KAZIM ŞİMŞEK - General Manager

Kazım Şimşek was born in Artvin in 1957. He is a graduate of Hacettepe University, faculty of management. He began his career at General directorate of pension fund, head service operations. Afterwards he worked as an inspector at Türkiye Vakıflar Bankası committee of inspection, branch manager and director of the Middle East Anatolia Region and president of Investment Banking-Personal Loans-Personal Banking-Information Technology-Planning Performance parts. Between September 2007 - April 2009 he served as chairman of the board and general manager at Atakule GYO. In April 2009 Mr. Şimşek started to work as department head of Retail Loans and Credit Monitoring. He has been serving as General Manager in Halk Gayrimenkul Yatırım Ortaklığı since November 2010.



ŞEREF AKGÜL - Vice General Manager

He was born in Ankara in 1972. He completed his primary, secondary and high school education in İstanbul. He graduated from Marmara University, Faculty of Economics in 1996. Mr. AKGÜL started his career as Internal Auditor at Toprakbank in 1998. He completed his MBA studies at Fatih University, İstanbul in 2006. He held office as Vice Manager, Vice- Chairman and Vice Marketing Manager in banking sector until 2010. Having been assigned in 2010 as the Internal Audit and Risk Control Manager at Halk GYO, Mr. AKGÜL has been holding office of the Vice General Manager at Portfolio Management and Financial Reporting as of September, 2012.



PAYMENTS TO BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The total of the remunerations and similar benefits provided by the company for the Board of Directors and the executives is TL 857,816 as of the end of 2014. (31 December 2013: TL 931,850)

THE CHANGES IN THE BOARD OF DIRECTORS AND EXECUTIVES

The Company's Board Member Mr. Levent KILIÇ resigned voluntarily from his duty on 8.12.1014.

COMPANY'S CAPITAL AND SHAREHOLDING STRUCTURE

The capital details and shareholding structure of our company are as follows as of 31.12.2014.

CAPITAL DETAILS

Issued Capital	TL 697.900.000
Authorized Capital	TL 1.500.000.000

31 December 2014 31 December 2013

Group		Share Rate %	Share Amount TL	Share Rate %	Share Amount TL
TÜRKİYE HALK BANKASI A.Ş.	A	1,58	11.027.324	1,50	10.135.571
TÜRKİYE HALK BANKASI A.Ş.	B	70,38	491.197.355	70,38	474.121.698
HALK YATIRIM A.Ş.	A	0,04	263.358	0,04	254.203
HALK FİNANSAL KİRALAMA A.Ş.	A	<0,01	1	<0,01	1
HALK SİGORTA A.Ş.	A	-	-	0,04	254.203
HALK EMEKLİLİK A.Ş.	A	-	-	0,04	254.203
PUBLICLY HELD*	B	28,00	195.411.962	28,00	188.618.825
Paid in Capital		100,00	697.900.000	100,00	673.638.704

*As of 31.12.2014, Halkbank A.Ş. has the share of nominal valued of TL 42.620.098 and Halk GYO A.Ş. has the share of nominal valued of TL 19.675.318

CAPITAL DETAILS

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.

Our Company's issued capital was increased from TL 673,638,704 to TL 697,900,000 by distributing bonus shares -nominal value of 24,261,296 and the percentage of 3.60152- which is provided from 2013 profit, in the line with the Board decision taken on 16 April 2014. On 29 August 2014, Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş., one of our shareholder, transferred their 263,358.46 shares (nominal value of TL 1) which are non- public, registered and in the Group A and also transferred all rights and interests on the shares to the main shareholder Türkiye Halk Bankası A.Ş. with the closing market price. Of total of 697,900,000 shares each with a nominal value at TL 1.00, 11,290,682 shares constitute A Group shares and 686,609,318 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.

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 2014 are provided below:

Shareholder	Share
TÜRKİYE HALK BANKASI A.Ş.	78.07 %
	Ratio of Non-Public Shares to the Total Capital : 71.96 %
	Ratio of Public Shares to the Total Capital : 6.11 %



ASSESSMENT OF THE YEAR BETWEEN 1 JANUARY - 31 DECEMBER 2014

Operations Performed under Corporate Governance Principles

Mr. Uğur GÜNEY who is also the Group President of Investor Relations of the Company has been assigned as Member of Corporate Governance Committee by the Board of Directors in accordance with Article 11.2 of Corporate Governance Principles (II-17.1).

The operations of our Company's Dividend Policy, pursuant to Serial II No:19.1 of Communiqué on Dividends by CMB and Disclosure Policy pursuant to Serial II No:15.1 of Communiqué On Material Events Disclosure by CMB had been revised, then these revisions were approved in General Assembly on 10 April 2014 and published on Company website.

In our General Assembly of 2013, held on 10 April 2014, Board of Directors of 2014 selection was made and the members and their task distribution were identified with the Board decision in the same date.

Major Amendments and Updates to the Communiqué

For the year between January and December 2014, Capital Markets Board updated and changed the followings;

Corporate Governance
Buy-Backed Shares
Dividends
Principals Related to Licensing Of Those Operating In Capital Market
Squeeze Out and Sell Out Rights in Partnerships

And published the followings;

The statement of making changes in Communiqué On Principles Of Real Estate Investment Companies
CMB decision related to Communiqué on Market Abuse

Communiqué Serial II, No: 17.1 on Corporate Governance entered into force upon publishing in Official Gazette No. 28871 of 03/01/2014.

With Corporate Governance Communiqué;

1. The Communiqués of Serial: IV, No: 56 on "Determination and Implementation of Corporate Governance Principles" and Serial: IV, No: 41 on "Principles to be Followed by Firms under the Capital Markets Law" are abolished and matters in these two Communiqués have been rearranged.

2. Corporations whose shares will be traded on National Market, Second National Market and Collective Products Market, from among those which have applied to the Board for offering their shares to public for the first time are subject to the same obligations of the corporations in the third group until the list is declared which determines their compliance with the mandatory policy.

3. The provision related that corporations and subsidiaries shall take a resolution of board of directors designating the principles of the transactions before initiating has been added to the Article 17 of the Communiqué and the transactions between the corporation and subsidiaries thereof with their related parties are also subject to this provision

4. In Communiqués of Serial: IV, No: 41, the head of "The Shareholder Relations Unit" is revised as "Investor Relations Department" and also it is included in the related article that this department shall function directly under the general manager or vice general manager or one of the other equivalent executives and shall prepare a report at least once a year about the activities conducted and submit this report to the Board of Directors.

5. The Board's decision No. 28/780 of 09.09.2009 which regulates the article of "Collateral, Pledge, Mortgage and Sureties" is stated in details in the Communiqué. Publicly held corporations whose shares are not traded on the Exchange are not subject to this Communiqué.

Communiqué Serial II No: 22.1 on “Buy-Backed Shares” entered into force upon publishing in Official Gazette No. 28871 of 03/01/2014.

With Buy-Backed Shares Communiqué;

1. Duration of a buy-back program approved by the general assembly is maximum 3 years; previously it was 18 months, for corporations whose shares are traded on the Exchange. Also a possibility to extend this duration up to 5 years or up to the end of maturity of the relevant instrument in the case of issue of a capital market instrument convertible into or exchangeable with shares has been stated for the corporations whom buy-back programs aimed at share option plans to be applicable to its own employees and up to the end of maturity of the relevant instrument in the case of issue of a capital market instrument convertible into or exchangeable with shares.
2. It is limited that total acquisition value of buy-backed shares cannot exceed total amount of sources which may be subject to profit distribution that indicated in the recent yearly financial statements within the frame of pertinent regulations of the Board.
3. The provisions of this Communiqué are provided to be enforceable and applicable also in the case of purchasing of corporation's shares by its subsidiary, purchasing of corporation's shares by a third party acting in his own name, but on the corporation's or its subsidiary's behalf and acceptance of corporation's shares as pledge by a third party acting in his own name, but on corporation's behalf.
4. It is regulated that buy-backed shares do not give any shareholder right other than purchasing gratis shares, dividend and preemptive rights. In parallel with TCC No. 6102, it is preserved that voting rights and other associated rights attached to the parent company shares acquired by subsidiaries automatically freeze.

5. Two business days prior to commencement of acquisition transactions pursuant to and under the program, the obligations of making a public disclosure and the issues to be disclosed are imposed. Within this scope, the public corporation and/or its subsidiary previously shall inform about scheduled period of buy-back, and within this period any kind of share sale cannot be performed.
6. Throughout the duration of a buy-back program, if any, approved by the general assembly within the frame of provisions of this Communiqué, or in the case of a buyback decision taken by the board of directors in order to avoid an imminent and severe loss, it is rearranged for the first time that shareholders holding management control of the corporation or persons closely related to them cannot sell the corporation's shares on the exchange.
7. Moreover; throughout the duration of a buy-back program, if any, approved by the general assembly within the frame of provisions of this Communiqué, or in the case of a buyback decision taken by the board of directors in order to avoid an imminent and severe loss, persons having an administrative responsibility in the corporation and/or in its subsidiaries as further defined in regulations of the Board pertaining to public disclosure, or persons closely related to them cannot sell the corp.
8. In which situations buy-back transactions by traded companies and its subsidiaries are deemed as insider trading or manipulation, or not, have been clarified.
9. It has been regulated that provisions of buy-back programs valid as of the effective date which are in conflict with this Communiqué cannot be applied and these programs are made compliant with provisions of this Communiqué in the next general assembly meeting to be held by the corporation.

Communiqué Serial II No: 19.1 on “Dividends” entered into force upon publishing in Official Gazette No. 28891 of 01/02/2014.

With Dividend Communiqué;

1. It has been regulated that Corporations distribute their profits by decisions of the general assembly of shareholders within the frame of their dividend distribution policies to be determined by the general assembly of shareholders and in accordance with provisions of the applicable laws and regulations. The necessary information at least contained in distribution policies has been also decided.
2. In corporations, it has been edited that dividends shall be distributed equally to all of the shares existing as of the date of distribution pro rata their shares in capital, regardless of their dates of issuance and acquisition.
3. It has been included that the payment date shall be placed in dividend policy and may be free instead of setting a certain date, providing that the dividend distribution process is initiated as of no later than the end of accounting period for which the general assembly meeting where dividend distribution is decided.
4. It has been ensured that dividend may be paid by installments, providing that it is decided so in the general assembly meeting and within this line, the principles and procedures to be followed for the payment in installments have been specified.
5. If the articles of association contains a clause permitting distribution of profit shares to privileged shareholders, beneficial interest certificate, members of board of directors, employees and other non-shareholders, but nevertheless does not refer to any specific rate of profit shares, it has been regulated that the amount of dividend to be distributed to these persons can in no case exceed one-fourth of the amount of dividend distributed to shareholders.

6. Non-publicly traded corporations are required to distribute their profit shares fully and in cash in such a way that the rate of distribution of dividends cannot be less than twenty percent of the net distributable profit of period plus donations.
7. The requirements of that corporations can make donations only if it is permitted in their articles of association, limit of donations will be determined by the general assembly of shareholders and the Board is authorized to impose an upper limit on the amount of donation have been imposed.
8. The new principles are regulated for publicly traded companies to calculate the dividend advances to be distributed over their profits shown in their interim period financial statements.
9. It has been regulated that if and when the company decides to distribute dividend in cash at a rate equal to at least 25% of the net distributable profit of the period, then and in this case, the Board fees to be charged on share issues to be realized within one year following the date of decision of general assembly of shareholders pertaining to distribution will be calculated by decreasing by 25%.

Communiqué Serial III No: 48.1a on “Revising the Communiqué on Principles of Real Estate Investment Companies” entered into force upon publishing in Official Gazette No. 28891 of 23/01/2014.

With the Communiqué;

1. “Infrastructural investments and services” has been referred to agricultural, irrigation, mining, manufacturing, energy, transportation, communication, information technologies, tourism, housing, cultural, urban and rural infrastructure, municipal services, urban transformation, environmental, research and development services and education, health, justice, security, general administrative infrastructure and similar other investments and services, as well as projects relating to and rights and interests associated with these investments and services.

2. REITs managing a portfolio consisting of infrastructural investments and services are required to be founded exclusively for these activities and at least 75% of their total assets is required to be formed with infrastructural investments and services, its projects and the rights based on these.

3. It is also stated that if it will operate a portfolio consisting solely of infrastructural investments and services, in the case of foundation, its initial capital, or in the case of conversion, each of its existing paid or issued capital and shareholders’ equity shown should not be less than TL 100,000,000 and not be less than TL 5,000,000 if at least one of the partners is a legal entity categorized as a public entity and institution and holds at least 20% of capital shares of the REIT. The maximum period of time has been identified for the sale to public offer/qualified investors.

4. For the purchasing and sale transactions, it is designated that the corporations of which qualifications are specified by the Board shall take over the appraisal works, within the scope of the Board regulations related to appraisal.

The Paragraph placed in 3rd clause of Article 4 “Market Abuse Actions Regarding the Inside Information or Periodic Information” in Communiqué Serial VI No: 104.1 on “Market Abuse”;

“(3) Trading the relevant capital market instruments by persons who have inside information or periodic information or by the spouse, children or cohabitants of those informed persons during the period from the day immediately after the end of the accounting period of financial statements and reports of issuers, or of independent audit reports, to the date of disclosure of those statements and reports to public in accordance with legislation, is considered and treated as a market abuse action.”

Related to this paragraph, it has been decided that the mentioned expression of “accounting period” shall be accepted as “the periods of 6-months and 12-months” in parallel with the Board Policy Decision No.16/514 of 28/05/2014. In this context; trading the relevant capital market instruments by persons who have inside information or periodic information or by the spouse, children or cohabitants of those informed persons during the period from the day immediately after the end of the financial statements’ and reports’ accounting period of 6-months and 12-months (annual) to the date of disclosure of those statements and reports to public, will be considered and treated as a market abuse action.

Communiqué Serial VII No: 128.7 on “Principles Regarding Licensing and Registration for the Professionals Engaged in Capital Market Activities” entered into force upon publishing in Official Gazette No. 29088 of 14/08/2014.

With the Communiqué;

1. Experience requirement has been removed from Former Communiqué which sought in the process of granting the licenses of Corporate Governance Rating Expertise, Credit Rating Expertise, Residential Appraisers License and Real Estate Appraisers for the candidates who applied and partially or completely succeed in these exams.

2. For the capital market institutions and publicly traded companies which employ the employees subjected to the license, the obligations have been imposed to inform CML about these employees’ starting and quitting dates within following 10 days and to request the record information of the employees subjected to the registry from CML before signing service contract.

3. The conditions for validity of examinations scores have been rearranged and in order to be able to pass the examinations, it is required that the scores taken in every subject must be 50 out of 100 and the arithmetic mean of the scores must be 60.

4. It has been stated that until getting required license for its position, a personnel can work as an assistant for maximum 3 years, including the working times in another institutions.

Communiqué Serial II No: 27.2 on “Right to Squeeze-Out and Right to Sell” entered into force upon publishing in Official Gazette No. 29173 of 12/11/2014.

With the Communiqué;

1. In the circumstances that acquired shares reaches %98 of the total voting rights or, while in this case, additional purchases is made, controlling shareholders’ right to squeeze out and other shareholders’ right to sell-out originates within a publicly held corporation.

2. To determine the sale price while exercising the right to squeeze out, for the each traded share group of publicly traded company, the arithmetic mean of the 30-day weighted average of the stock price is used, such 30-days ending on the day preceding the date, on which the disclosure of being in the position of controlling shareholder or, in that position, making additional purchase was made by the controlling shareholder.

3. Operations to exercise the rights have been mentioned in the related Communiqué as the following steps; *After gaining the right, material events disclosure is made. Within the lapse of 3-month period following the disclosure, all shareholders, except controlling shareholder, shall notify the company in written about their requests to exercise their sell-out right. The company shall search the shareholding status of the applicant who make a request, and, in line with related regulations of the Board, procure the preparation of a valuation report revealing the purchase price for the shares within one month following the first sell-out application. The company must, within this one month period and in any event within three business days following the public declaration of the valuation report, notify the controlling shareholder about the requests via registered letter with return receipt or notary. The controlling shareholder shall deposit the share purchase amount to the company account, at the latest within three business days following the request of the sell-out right by the company to itself. The company shall transfer this share purchase amount the second succeeding business day following depositing the share purchase amount by controlling company to conclude the share transfer.*

ECONOMIC AND INDUSTRIAL DEVELOPMENTS

World Economy

Termination of USA loose monetary policy by gradually reducing, signals of beginning the program of interest rate increases given by USA and employment and inflation data which has crucial importance in terms of applicability of this program, the deflation risks faced by Euro zone and Japan and their programs in order to provide economic support, the high tension between Ukraine and the embargo imposed on Russia as a result of this tension, reduction of Brent petrol price to \$ 58 dollars/barrel and ISIL tension were marked events that followed as global developments.

USA Central Bank (FED), which had decided that to decrease gradually the program of public sector purchase of \$ 85 billion so as to reduce \$ 10 billion monthly, implemented that decision and decreased it to \$ 45 billion in April, 2014, and to \$ 25 billion in July, 2014. At the meeting dated 29 October, they announced that they had completely stopped the program. On the other hand, FED also realized the situation that the negative influences on developing economies, even developed ones, caused by increasing interest rates finally would influence adversely also USA economy and so, in the meeting held on 17 December, Fed implied that they would wait for increases in the interest rate for a while. Because of the severe winter conditions, in the first quarter, growth rate was -2.9% which was the worst performance since 2009 and in the second quarter, achieved rate was 2.6% whereas was %5 in the third quarter which was the best in last 11 years with the contribution of increases in consumer spending and corporate investment, In the last quarter the growth rate accrued as under-expected by 2.6%.

In the third quarter, Euro zone grew by 0.2% quarterly whereas grew by %0.8 YoY. The causes of weak growth were problems in the banking sector; deflation resulted by low inflation, high unemployment and fragility of the economy. To overcome these difficulties, ECB (European Central Bank) realized that decreasing the interest rates could not be enough and after the meeting held on 2 October, it was declared that the public sector purchase program would be started by the end of the October; lead at least 2 years and its total amount would be approximately € 1 trillion. ECB which started this program on 20 October, published their last report on 4 December and clarified that they would not make any change in the current interest rates for a long time, their expansionary policies were effective as it can be seen in described growth rate, targeted long-run re-funding activities would be started in a short time and 6 new activities would be added to them by 2016.

Besides both of these major economies which have great importance in global markets, also Ukraine-Russia tension, occurred in the middle of term, and ISIL tension, raised late in the year, stood out as hindering developments which interrupt the risk appetite in global markets. International Monetary Fund (IMF) drew attention to the developments in Ukraine by mentioning the increases of geopolitics risks in their published report "World Economic Outlook" dated 08 April.

Russia economy, which got reactions due to their actions in Ukraine, has been badly affected as a result of imposed embargo by Europe and reduction of Brent petrol. Also, after decreasing credit rating of Russia, Standart&Poors and Moody's had gave the signals of re-decreases by taking Russia's economy on negative watch. After a while, Moody's decreased Russia credit rating to the lowest level of investment grade owing to reductions on Brent petrol and negative effects of currency depression, the worst one since 1998, on Russia economy. After the meeting on 15 December, in order to prevent the loses in Ruble and hyperinflation, Russia Central Bank increased the base interest rate for the sixth time in 2014, to 17% from 10,5%.

In "World Economic Outlook" Report, revised in October, IMF decreased its 2014 and 2015 growth expectations respectively to 3.3 and 3.8 which were respectively 3.4 and 4 in August. The reasons of decreasing was indicated as USA, Euro zone and Japan lower growths than expected in the first half of 2014 and rising geopolitical and financial risks. IMF, also, decreased its growth expectations of Germany, France and Italy (which are the major economies in Europe), Japan and Brazil whereas a strong growth was expected from the developed economies like England and USA. Therefore IMF did not made any change in its 2014 growth expectation, which was 1.8%, for developed economies and for both 2015 and 2016, increased it to 2.4%, on the other hand, decreased 2015 and 2016 growth expectations for developing economies to respectively 4.4% and 5%, which were 4.6% and 5.2% before and 4.9% and 5.3% in April.

According to OECD Report of "Interim Economic Assistant", published in September, 2014, the moderate economic recovery was not distributed equally across the countries and the regions. Therefore; OECD revised down their growth rates expectations and decreased them to 2.1% from 2.6% for USA in 2014, and to 0.8% from 1.2% for Euro zone in 2014. The foundation did not change their expectations for China growth rate.

In their report of "Economic Outlook", November 2014, OECD again highlighted that the economic recovery were not distributed in equal among the developing countries and claimed that global growth between 2014-2016 would be fewer than 4% which is the average of long-term growth and would be 3.3%, 3.7%, 3.9% in respectively 2014, 2015, 2016.

Turkish Economy

Global markets, presidential and local elections, assignment of new prime ministry and ISIL tension on the Syrian border took their place among the most important issues on the 2014 agenda of Turkey. In the first Quarter Turkey's economy grew by 4.7% YoY and in the second and third quarter it grew by respectively 2.1% and 1.7% YoY. In the MTP (Medium-term Program) report, which covers all the bases of 2015-2017, was announced in October by Finance Ministry and expected the growth would be 3.3% at the end of 2014 under favor of positive reflections of net goods, as well as services exports and domestic demand. It was also stated that in 2015, Turkish economy is expected to grow by 4% and in 2016 and 2017 average growth-rate would be 5%.

In October 2014, unemployment rate was 10.4%. According to MTP Report; at the end of the year, it would decrease by 9.6% and at the end of 2017; it would be more or less 9.1%.

According to "Turkey Regular Economic Brief" by World Bank, in December 2014, the reason of increased ratio was the sharp rising in the labor force (rising of both demographic changes and women participation in workforce).

Annual Consumer Price Index (CPI) and annual Producer Price Index (PPI) were disclosed as respectively 8.17% and 6.36%. MTP's 2014 year-end forecast for CPI was 9.4%, in consequence of loses in TL, deteriorations in inflation expectations and negative weather conditions.

However, in the Program period, it was predicted that aggregate demand conditions would bring on decreases in the inflation. Adding of the downward trend in food and petrol prices to this, it was expected that CPI would fall the level of 6.3% at the end of 2015, and 5% in 2016 and 2017.

In the past years, gold import was indicated as a main reason of increasing in the ratio of current account deficit to GDP. In MTP report, this ratio, which was 7.9% in 2013, was foreseen as 5.7% in 2014 and as 5.4% in 2015. Despite of a significant decline in the gold import and the reduction of overall exports to neighboring countries, these forecasts were based on the expectancies of increases in export to EU which is recovering through their programs. Also with the addition of recent reductions on petrol prices, according to the data disclosed in 10 December by Finance Ministry, October current deficit accrued as \$ 2.03 billion which was parallel to the expectations and cumulative deficit of last 12 months decreased to \$ 45.73 billion, the lowest level since 2010. According to the Turkish Republic Central Bank data current accounts deficit was stated as \$ 33.14 billion by a decrease of \$ 19.31 billion in the period of January-October 2014 compared to same period in 2013.

In the first 11 months, foreign trade deficit decreased by 15.5% YoY and accrued as \$ 75.9 billion. In the same period also exports increased by 4.2% and imports decreased by 3.5% on the annual basis.

In December, while Consumer and Reel Sector Confidence Indexes were decreasing, Purchasing Managers Index (PMI) stated at the level of 51.4. Central Bank of Turkey (CBRT), which had been applying tight monetary policy beginning of the year, reduced the interest rates to 8.75% from 10%, in their meetings in May (50 Bps) and June (75 Bps) and in the July meeting, CBRT made an additional 50 basis point reduction and interest rates became 8.25%. And in the last meeting of the year, on 24 December, CBRT did not change the interest rates and with the recent data of 2014 the interest rates were stated as; politic rate (one-week repo rate) was 8.25%, marginal funding rate was 11.25% and borrowing interest rate was 7.5%. In the meeting dated 19 January 2015, CBRT decreased only one-week repo rate to 7.75% and left the other rates as they were.

In consideration of all these macro developments and policies, for Turkey economy, expected rates are updated as below;

%	World Bank			IMF			OVP			OECD		
	2014	2015	2016	2014	2015	2016	2014	2015	2016	2014	2015	2016
Growth	3,1	3,5	3,7	3,0	3,4	3,4	3,3	4,0	5,0	3,0	3,2	4,0
Inflation	9,0	6,7	5,0	9,1	7,0	6,2	9,4	6,3	5,0	9	7,4	6,8
Unemployment	9,5	9,9	-	9,5	10,4	10,8	9,6	9,5	9,2	9,9	10,1	10,2
External Current Account / GDP	-5,6	-4,5	-4,9	-5,8	-6,0	-6,0	-5,7	-5,4	-5,4	-5,4	-5,1	-5,6

Sectoral Developments

Construction sector grew by 5.1%, 2.6% and 1.0% in respectively first, second and third quarter. During the whole period; reciprocity law paves the way for foreigners, urban renewal projects, significant public investments and major projects stood out as factors that support the construction growth. Moreover; the implementations of both unearned income taxes and consumer rights law were the important subjects for the sector. Construction sector kept its place of being one of main sectors which provide the most employment.

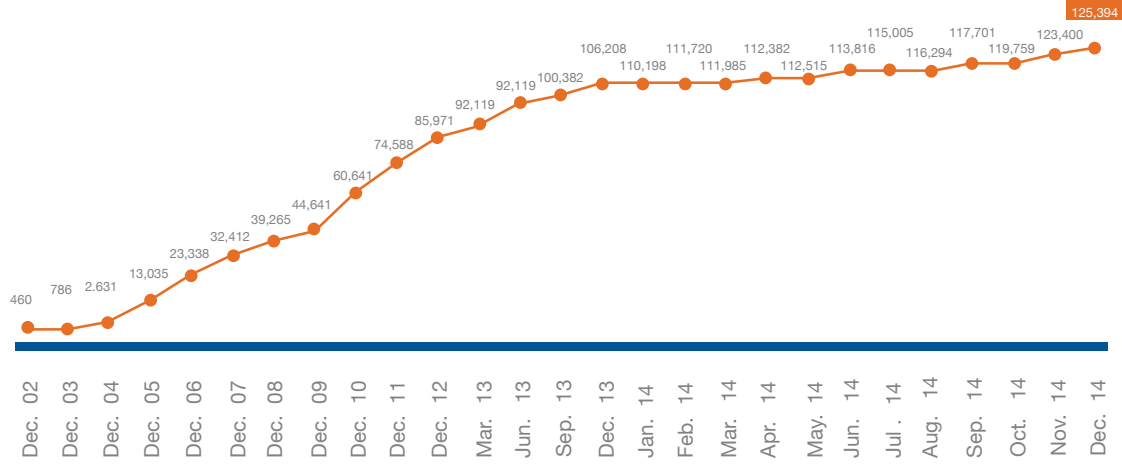
In the third quarter of 2014, Construction Turnover Index and Construction Production Index, the other data which are seen as important in construction sector, respectively decreased by 2.7% YoY and increased by 1.7% YoY.

In the third quarter of 2014, the total area of Construction Permits has given by municipalities, increased by 46% YoY. The total area of the buildings Construction Permits given was 60.5 million m2 consisted of housing area of 34.2 million m2 (56.6%), except housing area of 16.5 million m2 (27.3%) and communal area of 9.7 million m2

(16.1%). The total area of all buildings to which Occupancy Permits were given, decreased by 1.3%. The total area of the buildings Occupancy Permits given was 29.4 million m2 consisted of housing area of 18.1 million m2 (61.5%), except housing area of 7.4 million m2 (25.1%) and communal area of 3.9 million m2 (13.4%). The mortgage loan monthly interest rates decreased to averagely 0.90% from 1.10% (in March) after the discounts on interest rates by CBRT. Since the beginning of the year of 2015, the discount of 70 basis point more in bond yield has been continuing to reflect on interest rates and the recent average of mortgage loan interest rate has decreased to 0.83%.

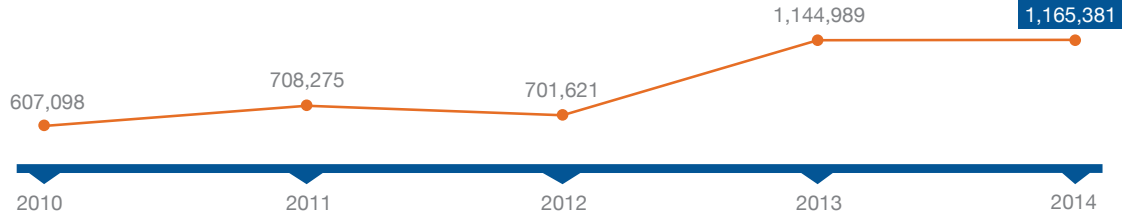
As of 31 December 2014, the total mortgage loans have been reached to TL 125 billion and its share has been 9.8% of all loan.

Mortgage Loan Trend(mn TL)



In Turkey, during the period of 2014, 1,165,381 residences had been passed into other hands as a result of selling and increased by 1.8% YoY.

Residential Sales



Residential Price Index was 166.05 by October 2014. Unit prices calculated as residential value per square meter was 1,280.90 TL/ m² on October 2013, it reflected as 1,477.86 TL/ m² in October 2014.

BOARD'S ACTIVITIES BETWEEN JANUARY 1 - DECEMBER 31, 2014

Work Related to Portfolio

During 2014, the appraisal works related to the real estate have been performed by Vektör Gayrimenkul Değerleme A.Ş. and Adım Gayrimenkul Değerleme A.Ş. in line with Board decision dated on 20 January 2014.

The construction permit has been got for 2nd part (Block B) of our banking operations center project which will be built on our land in Şekerpinar, Kocaeli. The construction size of the 2nd part (Block B) will be 51,795 sqm. The project's 1st part (Block A) construction permit had already been got on 29.08.2013 and the construction has been started. A goodwill agreement has been signed with Türkiye Halk Bankası A.Ş. for this Project so that Türkiye Halk Bankası A.Ş. will lease the whole areas after its completion.

In same date, a goodwill agreement has been signed with Türkiye Halk Bankası A.Ş., for the "İstanbul International Finance Center" project, where we will build two towers; one with 46 floors and the other with 34 floors and additionally 3 buildings each with 8 floors. According to the agreement, Türkiye Halk Bankası A.Ş. will lease a specific area, regarding their own needs and demands.

These both buildings will be leased in accordance with the appraisal value which will be determined by a real estate appraisal company approved by Capital Markets Board of Turkey.

Concerning to project management services, with the Board decision taken on 30 May 2014, our Company cancelled the contract with "Proje Yönetim A.Ş.", signed in August 2013 and entered into an agreement with "Entegre Proje Yönetim Danışmanlık Mühendislik A.Ş."

On 27 August 2014, it was decided by our Board of Directors to buy a land in İstanbul Province-Anatolia side through the joint venture (50% Halk REIT / 50% Vakıf REIT) to build a residential Project and to authorize the Head Office to fulfill necessary procedures.

As of December 31, 2014, the sales revenue has been reached to the amount of TL 161.6 mn with the sales of 224 independent units and the deed transfer process of 92 independent units amounted TL 79.9 mn has been completed on our ongoing "Referans Bakırköy" project, which developed based on revenue sharing model on our land plot in Bakırköy-İstanbul, registered on Parcel No. 2, Block No. 1224, and Parcel No. 1, Block No. 1225, with our Company's 50.5 percent share from total sales revenue and consist of 254 residential units and 73 commercial units.

GENERAL ASSEMBLY, CAPITAL INCREASE AND ARTICLES OF ASSOCIATION

The Ordinary General Assembly Meeting for 2013 was held at the head office of our company on April 10, 2014 in accordance with the resolution made on the meeting of the Board of Directors held on March 11, 2014, under the supervision of Ministry Observer who was appointed pursuant to letter No 90726394-47.7-9779 of 09 April 2014 by Governorship of İstanbul / Provincial Directorate of Trade and with the condition of that, each having a nominal value of TL 1, a total of 673,638,704 shares has been represented at the meeting including 1,373,400.338 shares represented in person and 530,044,648.778 by Proxy.

General Assembly results were registered and announced on 15 April 2014.

In the relevant General Assembly;

According to distribution of dividend of 2013 which was decided by Board of Directors on 11 March 2014, our total distributable net profit was TL 30,069,118 and TL 3,006,912 (10%) of it would be distributed in cash and TL 24,261,296 (80.69%) of it would be distributed as bonus share. And the decision of dividend distribution was approved in General Assembly.

After the approval, distributable net profit of TL 30,069,118 was distributed on 15 April 2014, and Company's issued capital was increased from TL 673,638,704 to TL 697,900,000 by distributing bonus shares-nominal value of 24,261,296 and the percentage of 3.60152- in 05 June 2014, through the CMB approval, with the decision letter No 435 of 30 May 2014 which is applied by our Company on 16 April 2014.

Article 8-"Capital and Shares" which covers revised capital and Articles of Association was registered by İstanbul Register of Commerce on 19 June 2014 and published in Trade Registry Gazette pursuant to letter No 8598 of 25 June 2014.

At the end of the year, Our Company decided to extend the allowed time of registered capital ceiling of TL 1,500,000,000 5 years more, to 2015-2019 from 2010-2014 and the decision of applying to CMB and Ministry of Customs and Trade for necessary permissions was taken by Board of Directors on 30.12.2014.

Also it was decided to revise the same decision in compliance with Serial III No:48-1 "Communiqué of Principles Regarding Real Estate Investment Trusts" of "Special Decisions" Clause in Article 16.

TRANSACTIONS WITH RELATED PARTIES

The transactions performed with the main partner Türkiye Halk Bankası A.Ş. 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 2014 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 28,454,131. We have had cash and cash equivalents valued at TL 8,658,137 as well as Financial Investment valued at TL 34,841,163 in our bank accounts at Türkiye Halk Bankası A.Ş. as of the end of December 31, 2014. Our company has a financial debt valued at TL 16,737,916 because of the credit used from Türkiye Halk Bankası A.Ş. 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 2014 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 2014 between our Company, its main partner Türkiye Halk Bankası A.Ş. 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."

AFFILIATION REPORT OF THE BOARD OF DIRECTORS IN THE TERMS BETWEEN 01.01.2014-31.12.2014

This report was prepared within the scope of first three clauses of Article 199 in Turkish Commercial Code, numbered 6102

A- LEGAL TRANSACTIONS

1. TRANSACTIONS WITH DOMINANT AND AFFILIATED COMPANIES

Receivables and Payables from Related Parties

31 December 2014

Banks	
HALK BANK A.Ş. (Demand Deposits)	424.071
HALK BANK A.Ş. (Time Deposits)	7.902.288
HALK BANK A.Ş. (Pos Account)	331.560
HALK BANK A.Ş. (Financial Investments)	34.841.163
HALK YATIRIM A.Ş. (Investment Account)	218
Total	43.499.300
Prepaid Expenses	
HALK SİGORTA A.Ş.	188.977
HALK HAYAT ve EMEKLİLİK A.Ş.	3.751
Capitalized Expenses of Ongoing Properties as Investment	
HALK SİGORTA A.Ş.	40.793
HALK BANK A.Ş.	1.875
Total	235.396
Financial Dept	
HALK BANK A.Ş. - Short term	3.397.361
HALK BANK A.Ş. - Long term	13.340.555
Total	16.737.916
Commercial debts to Related Parties	
HALK SİGORTA A.Ş.	126.242
Total	126.242
Deferred Rent Income	
HALK BANK A.Ş.	2.788.350
Total	2.788.350

Incomes from Related Parties

31 December 2014

Rent Incomes	
HALK BANK A.Ş.	27.563.353
HALK FAKTORİNG A.Ş.	691.408
HALK YATIRIM MENKUL DEĞERLER A.Ş.	40.372
HALK SİGORTA A.Ş.	79.499
HALK HAYAT EMEKLİLİK A.Ş.	79.499
Total	28.454.131

95% of rent incomes, earned in interim account period ended on 31 December 2014, was from related parties.

Interest Incomes	
HALK BANK A.Ş. (Interest Income on Demand Deposits)	6.725.438
HALK BANK A.Ş. (Interest Income on Financial Investments)	5.506.663
HALK YATIRIM A.Ş. (Incomes on Reverse Repo)	102.215
Total	12.334.316

Expenses to Related Parties

31 December 2014

Insurance Expenses Paid to Related Parties	
HALK SİGORTA A.Ş.	149.006
HALK HAYAT ve EMEKLİLİK A.Ş.	13.986
Interest Expenses Paid to Related Parties	
HALK BANK A.Ş.	1.783.342
Operating Expenses Paid to Related Parties	
HALK BANK A.Ş.	169.899
HALK PORTFÖY YÖNETİMİ A.Ş.	112.315
HALK YATIRIM MENKUL DEĞERLER A.Ş.	47.232
Total	2.275.780

1.1 TRANSACTIONS WITH DOMINANT COMPANY

Incomes

a) Rent Incomes

20 properties in our portfolio have been rented by Türkiye Halk Bankası A.Ş. and during 2014 all rents were collected regularly. The rental value of the properties was determined in accordance with the REIT communiqués by CMB and the amount of rent increase calculated with the formula of $PPI+CPI/2$. In 2014, total rent income was TL 27,563,353. In these procedures, any financial benefit to holding company or its associations was not provided and our Company did not meet any loss.

b) Interest Incomes

By the transactions made with Türkiye Halk Bankası A.Ş., the revenue of TL 6,725,438 was generated through interest income on bank deposits and TL 5,506,663 through interest income on bond. In these procedures, any financial benefit to holding company or its associations was not provided and our Company did not meet any loss.

Expenses

a) Bank Interest Expenses

In 2014, our Company's bank interest expense was TL 1,783,342 which was interest of the loan obtained from Türkiye Halk Bankası A.Ş. In this procedure, any financial benefit to holding company or its associations was not provided and our Company did not meet any loss.

b) Bank Operations Expenses.

Our company had the expense of TL 171,774 as operating expense due to operations made with Türkiye Halk Bankası A.Ş. In this procedure, any financial benefit to holding company or its associations was not provided and our Company did not meet any loss.

1.2 TRANSACTIONS WITH AFFILIATED COMPANIES

Incomes

a) Rent Incomes

Halk Yatırım Menkul Değerler A.Ş.

Our property, at the address of Akdeniz Mah. Cumhuriyet Bulvarı No:45 Konak / İzmir, had been rented to Halk Yatırım Menkul Değerler A.Ş. and in 2014, the total rent of TL 40,372 was collected in a regular way. In this procedure, any financial benefit to holding company or its associations was not provided and our Company did not meet any loss. Our property lease agreement was terminated on 31.05.2014.

Halk Sigorta A.Ş.

Our property, at the address of Akdeniz Mah. Cumhuriyet Bulvarı No:45 Konak / İzmir, had been rented to Halk Sigorta A.Ş. and in 2014, the total rent of TL 79,499 was collected in a regular way. The rental value of the property was determined in accordance with the REIT communiqués by CMB and to increase the rent amount, the formula of $PPI+CPI/2$ was used. In these procedures, any financial benefit to holding company or its associations was not provided and our Company did not meet any loss.

Halk Hayat ve Emeklilik A.Ş.

Our property, at the address of Akdeniz Mah. Cumhuriyet Bulvarı No:45 Konak / İzmir, had been rented to Halk Hayat ve Emeklilik A.Ş. and in 2014, the total rent of TL 79,499 was collected in a regular way. The rental value of the property was determined in accordance with the REIT communiqués by CMB and to increase the rent amount, the formula of $PPI+CPI/2$ was used. In these procedures, any financial benefit to holding company or its association was not provided and our Company did not meet any loss.

Halk Faktoring A.Ş.

Our property, at the address of Müeyyetzade Mah. Kemeraltı Cad. No:2 Kat:2-3 Karaköy/İSTANBUL, had been rented to Halk Faktoring A.Ş. and in 2014, the total rent of TL 691,408 was collected in a regular way. The rental value of the property was determined in accordance with the REIT communiqués by CMB and to increase the rent amount, the formula of $PPI+CPI/2$ was used. In these procedures, any financial benefit to holding company or its association was not provided and our Company did not meet any loss.

b) Interest Incomes

Our Company obtained the amount of TL 102,215 through reverse repo interest income within the scope of the portfolio management agreement drawn up with Halk Yatırım A.Ş. In this procedure, any financial benefits to holding company or its association was not provided and our Company did not meet any loss.

Expenses

a) Insurance Expenses

Halk Sigorta A.Ş.

In 2014, our Company's insurance expenses, taken out from Halk Sigorta A.Ş., were TL 315,219 which covers the insurances of building, fixture, fire and staff. TL 188,977 of total insurance expense was recorded as expenses related to future periods; TL 40,793 of it was recorded on assets as ongoing investment and TL 149,006 of it was recorded as period expense. In these procedures, any financial benefit to holding company or its association was not provided and our Company did not meet any loss.

Halk Hayat ve Emeklilik A.Ş.

In 2014, our Company's expenses for individual pension and standard group life insurance policies, taken out from Halk Hayat ve Emeklilik A.Ş. was TL 17,737. TL 3,751 of it was recorded on assets as expense related to future periods and TL 13,986 of it was recorded as period expense. In these procedures, any financial benefit to holding company or its associations was not provided and our Company did not meet any loss.

b) Operational Expenses

Halk Portföy Yönetimi A.Ş.

Our company had the expense of TL 112,315 in a result of the portfolio management agreement drawn up with Halk Portföy Yönetimi A.Ş. In this procedure, any financial benefit to holding company or its associations was not provided and our Company did not meet any loss.

Halk Yatırım Menkul Değerler A.Ş.

Because of the agreement with Halk Yatırım Menkul Değerler A.Ş. that includes of following the Company shares in CRA (Central Registry Agency) and BIST enterprise products market, reporting them and consulting, TL 47,232 was recorded as an expense within the scope of Commission Expenses Investment Account. . In this procedure, any financial benefit to holding company or its associations was not provided and our Company did not meet any loss.

2. THE TRANSACTIONS BY DOMINANT COMPANY ORIENTATION

None

3. THE TRANSACTIONS IN FAVOR OF DOMINANT COMPANY OR AFFILIATED COMPANIES

None

B. PROVISIONS

All commercial and legal transactions details stated above were carried out by using market value as base and in line with the Company interest. Lease transactions were made toward the reports by independent real estate appraisal company whereas commercial activities of purchasing of goods and services were conducted by tender. Due to being publicly traded, our company acts in accordance with CMB and its principles. Our Company's financials are controlled quarterly by an independent audit firm. The transactions with related companies, also placed in independent auditor's report, are disclosed to public quarterly.

In the operating period, in the case that an affiliated company has material loss/damage due to transactions, dominant company has no such a right of demanding equivalent counter-request from another associated company to provide the balance by justifying their benefits or the related transactions.

C. CONCLUSION

Considering circumstances of all actions known by us, all the Company-dominant company or affiliated companies legal transactions which made in favor of dominant or affiliated company with the direction of dominant company and all the Company's provisions which taken or avoided to take in favor of dominant or affiliated company were evaluated in the operating period between 01 January – 31 December 2014. Related to this operating period of 2014, we declare that our Company did not experience such a loss through an action raised due to known circumstances.

FINANCIAL PERFORMANCE

Major Financial Indicators

	Income Statement Data (TL)	
	01.01.2014 31.12.2014	01.01.2013 31.12.2013
Sales Revenue	86.611.117	58.513.850
Income from Sales of Residence	40.356.205	18.000.000
Rent Income	29.962.463	28.954.220
Financial Income	16.292.449	11.559.630
Cost of Sales	14.649.589	12.023.516
Cost of Residence Sales	11.011.823	8.381.183
Other	3.637.766	3.642.333
Gross Profit	71.961.528	46.490.334
Administrative Expenses	10.924.043	9.753.600
Other Operating Incomes/Expenses	2.093.003	1.041.466
Operating Profit	63.130.488	35.695.268
Financial Income	1.783.342	4.184.441
Balance Sheet Data (TL)	61.347.146 31.12.2014	31.510.827 31.12.2013
Assets	928.406.666	890.131.894
Equities	827.793.895	769.176.013
Financial Expenses	16.737.916	18.537.660
Profitability	01.01.2014 31.12.2014	01.01.2013 31.12.2013
Return On Average Assets (%)	6,75	3,72
Return On Average Equities (%)	7,68	4,32
Basic Ratios	31.12.2014	31.12.2013
Financial Expenses / Equities	2,02 %	2,41 %
Equities / Total Assets	89,16 %	86,41 %

TARGETS & REALIZATIONS

2014 Year-End ROAE



At the beginning of 2014, our company's ROAE target was determined as ~7.5% and it was achieved by the end of 2014. By believing the importance of sharing the profit with its investor and transparency we will continue to give confidence to our investors through our sustainability in profitability and growth.

Our main purpose will be to complete our ongoing projects of Şekerpinar banking operational center and Levent Dedeman Hotel, to deliver them and provide their rent incomes.

Referans Bakırköy Project sales and deed transfers, which significantly contributed to our revenue and profitability figures in 2014 will continue during 2015.

The deliveries and settlements will be also start in 2015 in our second residential project, "Panorama Plus Eskişehir".

By the end of 2015, we are aiming to reach to ~8.5% ROAE with the contribution of our ongoing and planned projects.

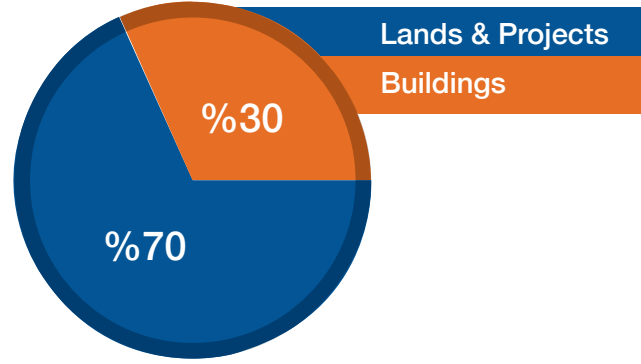
DETAILS OF THE ASSETS AND RIGHTS IN THE PORTFOLIO

Real Estate Statement (As of 31.12.2014)

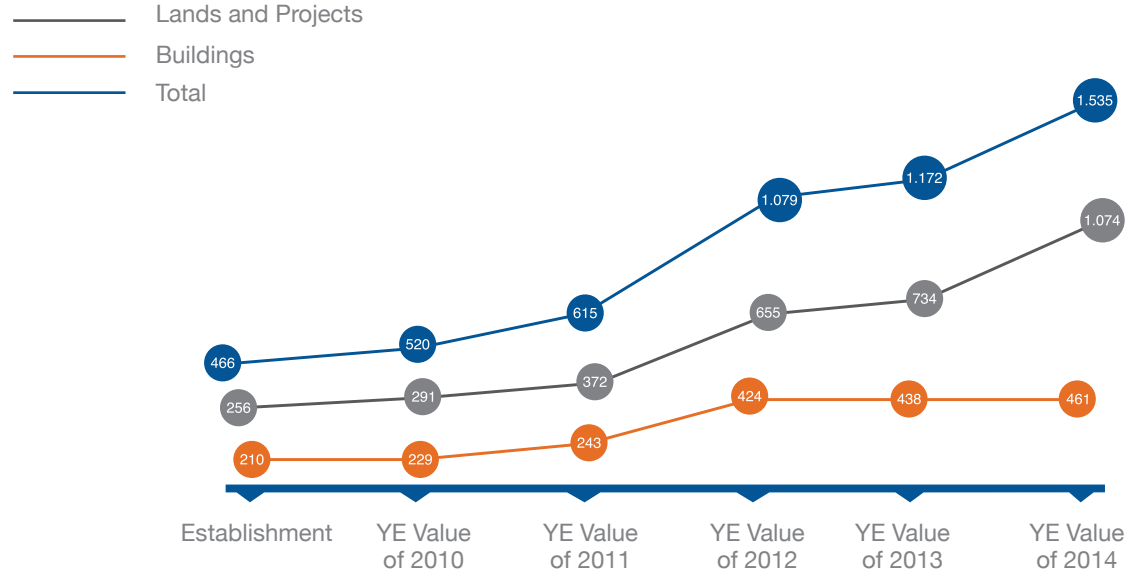
Real Estates and Real Estate Projects	Acquisition Date	Book Value at the end of 2014 (TL)	Date of the Last Appraiser's Report	Appraisal Value at the End of 2014 (TL)
Lands				
İstanbul Finance Center Land	28.10.2010	261.705.522	09.12.2014	574.633.400
İstanbul Sancaktepe *	16.10.2014	56.103.513	13.10.2014	80.000.000
Total		317.809.035		654.633.400
Project				
Kocaeli Şekerpinar Project*	11.09.2012	63.388.602	22.10.2014	141.367.384
Levent Dedeman Otel Project*	28.10.2010	63.656.372	11.12.2014	121.992.000
Referans Bakırköy Project*	09.09.2011	20.753.802	16.12.2014	108.178.755
Eskişehir Panorama Plus Project*	24.01.2012	26.233.422	10.12.2014	47.395.494
Total		174.032.198		418.933.633
Buildings				
İstanbul Halkbank Finans Tower	29.12.2011	124.878.484	26.12.2014	167.471.005
İstanbul Salıpazarı Building	28.10.2010	21.711.550	09.12.2014	43.400.000
İstanbul Karaköy Building	28.10.2010	23.339.633	09.12.2014	28.500.000
İstanbul Bakırköy Building	28.10.2010	8.945.470	09.12.2014	19.602.000
Ankara Kızılay Building	28.10.2010	12.341.602	12.12.2014	17.675.000
İstanbul Beyoğlu Building	28.10.2010	11.944.353	09.12.2014	19.270.000
İzmir, Konak Building 1	28.10.2010	13.130.994	09.12.2014	18.530.000
İstanbul Beşiktaş Building	28.10.2010	11.820.360	09.12.2014	15.114.000
İstanbul Etiler Building	28.10.2010	10.948.935	09.12.2014	14.575.000
İstanbul Şişli Building	28.10.2010	10.840.422	09.12.2014	13.000.000
Ankara Başkent Building	28.10.2010	9.460.403	25.12.2014	13.224.000
İzmir, Konak Building 2	28.10.2010	10.176.078	09.12.2014	12.600.000
Bursa Building	28.10.2010	8.407.037	09.12.2014	10.865.000
İstanbul Ataköy Building	28.10.2010	4.984.563	09.12.2014	10.290.000
Ankara Bahçelievler Building 1	28.10.2010	6.560.803	11.12.2014	9.077.500
İstanbul Fatih Building	28.10.2010	6.283.068	09.12.2014	9.050.000
Kocaeli Building	28.10.2010	6.462.129	09.12.2014	8.567.000
Sakarya Adapazarı Building	28.10.2010	5.898.720	11.12.2014	8.212.050
Ankara Bahçelievler Building 2	28.10.2010	5.644.823	09.12.2014	7.735.000
İstanbul Nişantaşı Building	28.10.2010	4.972.113	09.12.2014	7.475.000
İstanbul Caddebostan Building	28.10.2010	6.029.325	09.12.2014	7.165.000
Total		324.780.865		461.397.555
Total Real Estate Value		816.622.098		1.534.964.588

* Eskişehir and Bakırköy projects are followed up at the stocks account. The projects' fair values in the table are the values after their completion as indicated in the last appraisal report.

REAL ESTATE DISTRIBUTION (REGARDING LAST APPRAISAL VALUE)



APPRAISED VALUES OF THE REAL ESTATE (TL)



APPRAISED VALUES OF THE REAL ESTATE (TL)

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	Total Rental Price For 12 Months
İstanbul Halkbank Finance Tower	Halk Bankası	Head Office	11.153.400
İstanbul Salıpazarı Building	Halk Bankası	Bank Brunch	1.870.513
İstanbul Karaköy Building	Halk Bankası	Bank Brunch	1.902.878
	Halk Faktoring	Head Office	
	Halk Faktoring	Head Office	
İstanbul Bakırköy Building	Halk Bankası	Bank Brunch	1.135.753
Ankara Kızılay Building	Halk Bankası	Bank Brunch	1.167.645
	Halk Yatırım		
İstanbul Beyoğlu Building	Halk Bankası	Bank Brunch	1.233.705
	Hazine Müsteşarlığı		
İzmir, Konak Building 1	Halk Bankası	Bank Brunch	1.150.896
İstanbul Beşiktaş Building	Halk Bankası	Bank Brunch	1.059.914
	Emekli Sandığı Vakfı		
İstanbul Etiler Building	Halk Bankası	Bank Brunch	908.602
İstanbul Şişli Building	Halk Bankası	Bank Brunch	908.602
Ankara Başkent Building	Halk Bankası	Bank Brunch	979.840
	Ceda Akaryakıt	Hotel	
İzmir, Konak Building 2	Halk Bankası	Bank Brunch	807.739
	Halk Emeklilik		
	Halk Sigorta		
Bursa Building	Halk Bankası	Bank Brunch	711.738
İstanbul Ataköy Building	Halk Bankası	Bank Brunch	651.165
Ankara Bahçelievler Building 1	Halk Bankası	Bank Brunch	620.878
İstanbul Fatih Building	Halk Bankası	Bank Brunch	499.731
Kocaeli Building	Halk Bankası	Bank Brunch	757.169
Sakarya Adapazarı Building	Halk Bankası	Bank Brunch	682.905
Ankara Bahçelievler Building 2	Koton	Store	573.070
İstanbul Caddebostan Building	Halk Bankası	Bank Brunch	530.018
İstanbul Nişantaşı Building	Halk Bankası	Bank Brunch	454.301
Total			28.609.568

OUR COMPANY'S AFFILIATED COMPANIES AND SUBSIDIARIES & JOINT ACTIVITIES

Our company does not have any affiliated companies and subsidiaries as of December 31, 2014. Halk GYO-Vakif GYO Ordinary Partnership has founded in Turkey for operating as a joint operation with 50% shares and 50% voting right. The Company has signed a joint operation agreement with Vakıf Gayrimenkul Yatırım Ortaklığı AŞ for developing real estate projects. As at 31 December, the Company's share in financial statements of the Halk GYO-Vakif GYO Ordinary Partnership is as follows:

Shares in Joint Activities	31 Aralık 2014	31 Aralık 2013
Halk GYO-Vakif GYO Ordinary	50.0%	--

Financial information summaries calculated by regarding ownership rate of joint activity between Halk GYO and Vakıf GYO is as follows;

	31 December 2014
Long-term Assets	9.901.360
Current Assets	60.162.805
Short-Term Liabilities	(369)
Long -Term Liabilities	--
Net Assets	70.063.796

	31 December 2014
Incomes	65.216
Expenses	--
Net Profit	65.216

MONETARY AND CAPITAL MARKET INSTRUMENTS

	31 December 2014	31 December 2013
Banks-Demand Deposits	7.902.288	70.839.906
Banks-Time Deposits	424.195	6.465
Reverse Repo	--	1.255.000
Other Liquid Assets(*)	331.778	67.960
Cash and cash equivalents in the statement of financial position	8.658.261	72.169.331
Interest Income Accruals on Cash Equivalents	--	(266.808)
Cash and cash equivalents in the statement of cash flows	8.658.261	71.902.523

As of 31 December 2014, the Company's financial investments are classified as financial assets at fair value through profit and loss, marketable financial assets and held to maturity financial assets. Their details are stated below;

31 December 2014	Coast	Carrying Amount	Maturity	Interest Rate (%)
Short-Term Financial Investments Financial assets at fair value through profit and loss				
Lease Certificate	3.000.000	3.087.606	25.03.2015	9.95
Total	3.000.000	3.087.606		
Held to Maturity Financial Asset				
Bank Bond	34.816.162	34.841.163	05.06.2015	8.49
Total	34.816.162	34.841.163		
Total Financial Investments	37.816.162	37.928.769		

*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 and Eskişehir Project and also Investment Accounts in Halk and Eskişehir Project and also Investment Accounts in Halk Yatırım.

ONGOING PROJECTS

İSTANBUL INTERNATIONAL FINANCE CENTER PROJECT

Province :	İstanbul
District :	Ataşehir
Gross Area :	28.732 m ²
Book Value in 2014, December :	TL 261,7 million
Last Appraisal Value in 2014, December :	2014 / TL 574,6 Million

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. 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 İstanbul. 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, Vakıfbank and Ziraat Bank and such authorities as Banking Regulation and Supervision Agency (BRSA) and Capital Markets Board of Turkey (CMB) at a single center.

The project’s architectural design firm selection process has been completed and concerning to project management services, with the Board decision taken on 30 May 2014, our Company cancelled the contract with “Proje Yönetim A.Ş.”, signed in August 2013 and entered into an agreement with “Entegre Proje Yönetim Danışmanlık Mühendislik A.Ş.”

A goodwill agreement has been signed with Halkbank, for the project. According to the agreement, Halkbank will lease a specific area, according to their own needs and demands, in accordance with the appraisal value which will be determined by a real estate appraisal company approved by Capital Markets Board of Turkey, after the completion of the project.

In the period, our Company applied for necessary construction permits.



DEDEMAN PARK LEVENT HOTEL PROJECT

Province :	İstanbul
District :	Şişli Levent
Gross Area :	2.791 m ²
Book Value in 2014, December :	TL 63,6 million
Last Appraisal Value in 2014, December :	2014 / TL 122 million

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.

It is planned to deliver the project to Dedeman Group in 2015.

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.



REFERANS BAKIRKÖY PROJECT

Province:	İstanbul
District:	Bakırköy
Gross Area:	13.073m2
Book Value in 2014, December:	TL 20,7 million
Last Appraisal Value in 2014, December :	TL 108.1 million
Halk GYO Shares :	%50.5
Contractor:	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 İstanbul which are contained in the Company’s portfolio.

For the project having been raised in Bakirkoy which is the most prestigious districts of İstanbul, 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.

Construction of the project had reached to the level of completion and in the period, sales had continued at full speed.

As of December 31, 2014, the sales revenue has been reached to the amount of TL 161.6 mn with the sales of 224 independent units and the deed transfer process of 92 independent units amounted TL 79.9 mn has been completed.



ESKİŞEHİR PANORAMA PLUS PROJECT

Province:	Eskişehir
District:	Odunpazarı
Gross Area :	9.811 m2
Book Value in 2014, December:	TL 26,2 million
Last Appraisal Value in 2014, December :	2014/TL 47.3 million

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.

Launch of the project was in November 2013 and its sales stil continue.

For the project to be implemented on our land within a total area of 9,811 m2 located in the District of Odunpazarı, Province of Eskisehir and contained in our Company’s portfolio, the total area of 27,318 m2 has been started to construct including a total area of 2,247.12 m2 for the units with commercial function.



ŞEKERPİNAR PROJECT

Province : Kocaeli
 District : Şekerpınar
 Gross Area : 15.652m²
 Book Value in 2014, December: TL 63.3 million
 Last Appraisal Value in 2014, December : 2014/TL 141.3 million

The bank operations center which was included in our Company's portfolio in September, 2012 and is being constructed on our land within an area of 15,652 m² located in Şekerpınar, 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.

And the issue of turnkey of the Project, a goodwill agreement has been signed with Halkbank. According to the agreement, Halkbank will lease the whole areas in accordance with the appraisal value which will be determined by a real estate appraisal company approved by Capital Markets Board of Turkey, after the completion of the project.

In the project, the construction permits have been taken for the first part in August 2013 (Block A: construction size 9,131 sqm) and for the second part (Block B: construction size 51,795 sqm) on 28 March 2014.



DETAILS OF PORTFOLIO RESTRICTIONS

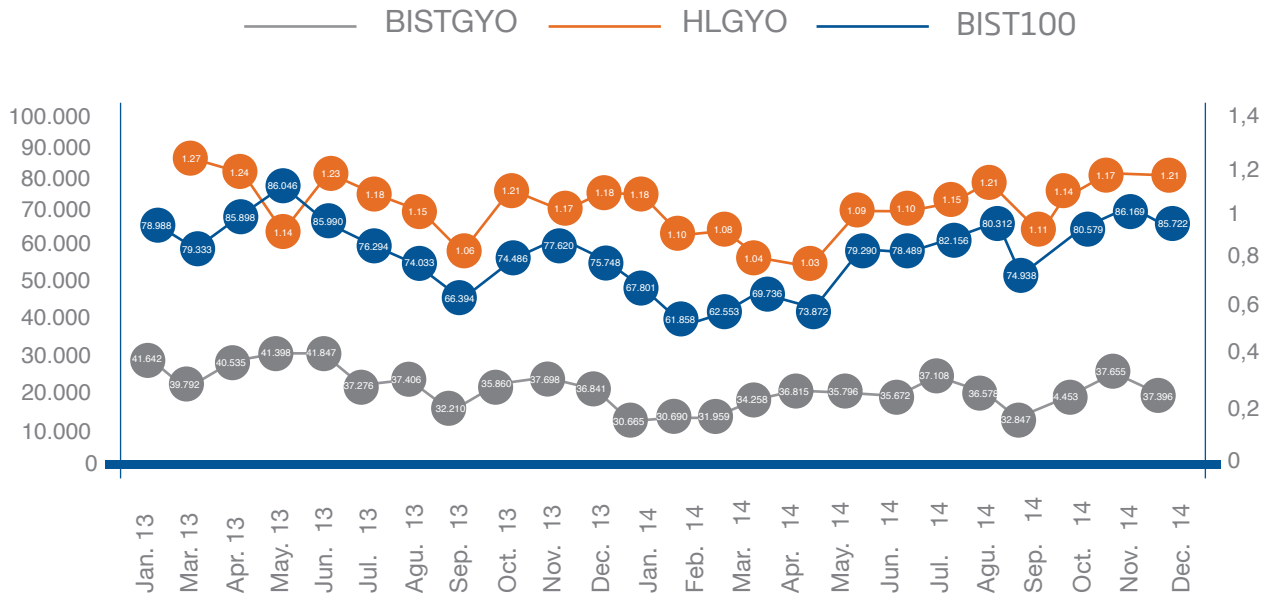
Financial Statement Primary Accounts Items	İlgili Düzenleme	31.12.2014 (TL)	31.12.2013 (TL)		
A Monetary and Capital Market Instruments	Serial: III-48.1, Article 24/(b)	46,587,030	176,357,342		
B Real estates, based on Real Estates, Rights based on Real Estates	Serial: III-48.1, Article 24/(b)	816,622,098	660,714,993		
C Subsidiaries	Serial: III-48.1, Article 24/(b)				
Due from related parties (non-trade)	Serial: III-48.1, Article 23/(f)				
Other assets		65,197,538	53,059,559		
D Total Asset	Serial: III-48.1, Article 3/(k)	928,406,666	890,131,894		
E Loans and borrowings	Serial: III-48.1, Article 31	16,737,916	18,537,660		
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	827,793,895	769,176,013		
Other liabilities		83,874,855	102,418,221		
D Total liabilities and equity	Serial: III-48.1, Article 3/(k)	928,406,666	890,131,894		
Other Financial Information	Relevant Regulation	31.12.2014 (TL)	31.12.2013 (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/(b)	8,326,483	70,846,371		
A3 Foreign Capital Market Instruments	Serial: III-48.1, Article 24/(d)				
B1 Foreign Real Estates, Projects, based on Real Estate	Serial: III-48.1, Article 24/(d)				
B2 Idle land	Serial: III-48.1, Article 24/(c)				
C1 Foreign Subsidiarie	Serial: III-48.1, Article 24/(d)				
C2 Subsidiaries	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	Relevant Regulation	Calculation	Min/Max Rate	31.12.2014(TL)	31.12.2013(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	Max. %10		
2 Real estates, based on Real Estates, Rights based on Real Estates	Serial: III-48.1, Article 24/(a) (b)	(B+A1)/D	Max. %51	87.96%	%74.23
3 Monetary and Capital Market Instruments	Serial: III-48.1, Article 24/(b)	(A+C-A1)/D	Max. %49	5.02%	%19.81
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	Max. %49		
5 Idle Land	Serial: III-48.1, Article 24/(c)	B2/D	Max. %20		
6 Subsidiaries	Serial: III-48.1, Article 28	C2/D	Max. %10		
7 Borrowing Limit	Serial: III-48.1, Article 31	(E+F+G+H+J)/i	Max.%500	2.02%	%2.41
8 Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article 24/(b)	(A2-A1)/D	Max. %10	0.90%	%7.96

BIST PERFORMANCE

Our company was offered to public on February 22, 2013, and 28 percent of the shares are traded at BIST A.Ş. with the code "HLGYO". Our stocks are included in BIST REIT BIST FINANCIALS, BIST ALL SHARES, and BIST 100 indexes.

As of 2014, December	Number	Market Value (TL)	Rate %
Closing Price		1.21	
Total Shares	697.900.000	844.459.000	
Public Shares	195.411.963	236.448.476	28
Shares in Actual Circulations	133.116.547	161.071.022	19
HALKBANK Shares Received from BIST	42.620.098	51.570.319	6.11
HALKGYO Shares Received from BIST	19.675.318	23.807.135	2.82

At the end of 2014, BIST 100 Index and REIT Index yearly and 22%. Our company's value per share increased by 2.5% and reached to TL 1.21. Monthly average trading volume of our company's stocks within the period of 2014 was realized as TL 2,992,136,765, while the average trading volume of BIST REIT was realized as valued at TL 71,819,760.



RISK MANAGEMENT POLICIES AND INTERNAL CONTROL MECHANISM

In the company, the risk management, internal control and audit systems have been structured in accordance with the international practices, principles and organization. Internal audit activities has been organized to provide that all related principles and procedures are monitored for the purposes of orderly, efficient and effective execution of all acts and transactions of the Company, including those of its peripheral organization, in accordance with the management strategy and policies in the direction of existing legislation and rules, ensuring the integrity and reliability of bookkeeping and record keeping systems, assuring timely and accurate availability of information in the data system, and preventing and identifying errors, fraud and irregularities. Internal audit system are managed so as to help the Company to achieve its goals by developing systematic approaches for evaluating and improving the productivity and the efficiency of the process of risk management, internal audit and management in an independent and objective way in order to develop and enhance all kind of the Company's operations and provide added value to the Company. In the company, Internal audit actions are conducted by 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.

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.

Internal control systems are formed in order to review, check, monitor, assess and report the fitness, adequacy and effectiveness of Company's activities, as well as their controls. Created system is based on a risk-focused approach to control; so, the internal control activity basically deals with controls that are developed to minimize and remove the risks inherent in the Company's activities and the adequacy of these controls. The Unit which is responsible for internal audit activities carries out its works in accordance with the "Halk Gayrimenkul Yatırım Ortaklığı A.Ş." which regulates. the internal control activities, the duties, powers and responsibilities of the individuals assigned and Unit's operating principles and procedures.

An operation for integrating into Enterprise Resource Planning (ERP) system was performed to control and manage the risks outcome of the Company activities by following the right procedure, to minimize them as well as to establish an organizational structure and process in the Company operations. The related program has started to be used since 2014. Due to the need, the studies to make the procedure more improved still continue.

The risks related to the Company's actions are classified into 5 categories which are Operational Risk, Market Risk, Loan Risk, Liquidity Risk and Compliance Risk which means of compliance with the 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.

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).

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 Vektör Gayrimenkul Değerleme A.Ş. ve Adım Gayrimenkul Değerleme A.Ş.

Press and Public Relations PR Agency

Nar Halkla İlişkiler ve Reklam Dış Tic. Ltd. Şti. (Nar PR)

Advertising Agency

Atölye Reklam Hizmetleri A.Ş. (Happy People)

Portfolio Management Company

Halk Portföy Yönetimi A.Ş.

Project Marketing and Consulting Company

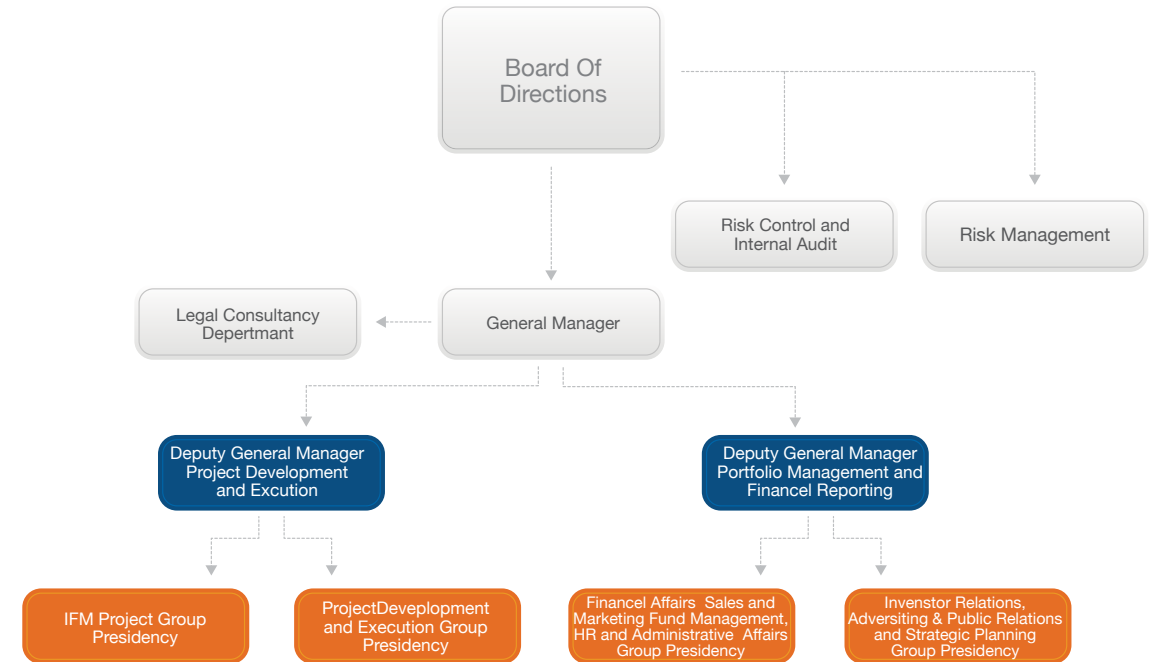
Arema Pazarlama ve Danışmanlık Hizmetleri Ltd. Şti.

OTHER ISSUES

Human Resources and Organization

Halk GYO continues their operations under a structure consisting of Legal Consultancy Department, 4 Group Presidencies bound up with General Management, and Managements bound up with Group Presidencies. Our Company's number of personnel is 40, as of 31.12.2014. (31.12.2013: 33)

The organizational structure of our Company is provided below:



*Akis Bağımsız Denetim and Serbest Muhasebeci Mali Müşavirlik A.Ş. has been chosen as independent audit company, Adım Gayrimenkul Değerleme A.Ş. and Vakıf Gayrimenkul Değerleme A.Ş. has been chosen as appraisal company for 2015. (see: head of - Subsequent Events)

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..

Donations and Contributions

In the period, TL 2,000,000 was donated to Kocaeli Metropolitan Municipality in order to contribute in development of Kocaeli province in which our investment activities continue.

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

In the condition of being in current capital ceiling of TL 1,500,000,000, our Company decided to extend the allowed time of registered capital ceiling 5 years more, from 2010- 2014 to 2015-2019, also decided that Article 8-“Capital and Shares” of Articles of Association to revised. Moreover, affirmative letters of which dates and numbers are 23.01.2015/829 (from SPK) and 26.01.2015/02 (from Ministry) related to the modifications in Serial III No:48-1 “Communiqué of Principles Regarding Real Estate Investment Trusts” of “Special Decisions” Clause in Article 16 has been stated to our company after the completion of the process for CMB and Customs and Trade Ministry confirmation. Related modifications will be presented for General Assembly approval. Board of Members’ decisions, dated 13.01.2015 and 29.01.2015, are stated as below and respectively;

- Akis Bağımsız Denetim and Serbest Muhasebeci Mali Müşavirlik A.Ş. has been chosen to audit the financial reports of the Company, including the year of 2015,
- Adım Gayrimenkul Değerleme A.Ş. and Vakıf Gayrimenkul Değerleme A.Ş. have been chosen to evaluate the assets which are, as well as can be, in the portfolio for 2015.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING 2014

- 1- Opening, election of the Chairing Council,
- 2- Reading and discussion of the Board of Directors’ Annual Report and Auditor’s Report on activities in 2014,
- 3- Reading, discussion and approval of the balance sheets and profit/loss accounts which belong to operating and accounting period of the year 2014,
- 4- Discharge of the Board Members from liabilities in 2014,
- 5- Discussing and approval of the amended Article 8 and 16 of Company’s Articles of Association which was approved by the letters 23.01.2015/829 of CMB and 26.01.2015/02 of Ministry of Commerce,
- 6- Discussing and deciding about the Board of Directors’ proposal for the distribution of 2014 operating profits,
- 7- Election of the Board Members and determining the term of their service,
- 8- Determining the remuneration of the Board Members,
- 9- Election of the Auditors,
- 10- Informing about operations with related party in 2014 according to the regulations of Capital Markets Board of Turkey (CMB),
- 11- 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 Corporate Governance Principles’ 1.3.6 article of CMB
- 12- Informing the shareholders on the Company’s donations in 2014,
- 13- Wishes, requests and closing.

HALK GYO A.Ş. PROFIT DISTRIBUTION TABLE FOR THE YEAR 2014 (TL)

1. Paid-In / Issued Capital	697,900,000.00
2. General Legal Reserves (Based on the Legal Records)	3,553,530.19
Information regarding privileges in profit distribution, if any, according to the Articles of Association	0.00

	Based on Capital Markets Board	Based on the Legal Records
3. Profit for the Period	61,347,146	56,167,829.97
4. Taxes (-)		
5. Net profit for the Period (=)	61,347,146	56,167,829.97
6. Former Year Losses (-)		
7. General Legal Reserve (-)	2,808,391	2,808,391.50
8. Net Distributable Profit For The Period (=)	58,538,755	53,359,438.47
9. Donations Given within the year (+)	2,000,000	
10. Net Distributable Current-Year Profit Including donation for distribution of first dividend	60,538,755	
11. First Shareholders Dividend	51,060,066	
Cash	5,960,066	
Bonus	45,100,000	
Total	51,060,066	
12. Dividends For Preferred Shareholders		
13. Dividends For Board of Directors, Personnel etc.*	456,391	
14. Dividends For Owners of Usufruct Shares		
15. Second Dividend For Shareholders		
16. Second Legal Reserves**	1,662,146	
17. Statuary Reserves	0	
18. Special Reserves	0	
19. Extraordinary Reserves	5,816,543	637,226.77
20. Other Sources Planned For Distribution	0	0.00
Retained Earnings		
Extraordinary Reserves	0	0.00
Other Reserves Distributable According to the Law and Articles of Association	0	0.00

INFORMATION REGARDING TOTAL DISTRIBUTED DIVIDEND RATIO

Net	Group	Total Dividend Amount		Total Dividend Amount / Net Distributable Dividend Amount (TL)	Dividend Per Share Valued TL 1,00.
		Cash (TL)	Bonus (TL)	Ratio (%)	Amount (TL)
	A	96,422	729,631.476	1.41112%	0.0732
	B	5,863,644	44,370,368.524	85.81326%	0.0732
	Total	5,960,066	45,100,000.000	87.22438%	0.0732

* Dividends to the personnel was included in the net profit of the year 2014 via setting aside provisions so it was not subject to the dividend payout and shown in the table for informative purposes only.

**Pursuant to the Turkish Accounting Standards 19 Employee Benefits Standards, due to the resolution of the General Assembly, dividends to the personnel was included in the Second Legal Reserve calculation and paid via the provision set aside and the amount was booked under expenses in the related period.



Annex 1:

THE YEAR OF
2014
CORPORATE
GOVERNANCE
PRINCIPLES
COMPLIANCE
REPORT

1- Compliance Statement for Corporate Governance Principles

Our Company espoused the regulated four key components of Corporate Governance Principles by CMB and all regulation, which are Fairness, Transparency, Accountability and Responsibility, and observes compliance with them in its activities.

Our company applied to all of the Corporate Governance Principles that are obligated to be implemented, and takes maximum care to stick to optional principles. Optional Corporate Governance Principles are addressed under the relevant headings in the following sections. There is no any of conflicts of interest that occur during the reporting period by reason of non-implementation of optional principles.

Our company has the necessary sensitivity in compliance with Corporate Governance Principles. The Committee's primary duties are monitoring pursuant to Corporate Governance Principles, undertaking improvements in these areas and presenting recommendations to the Board of Directors.

Corporate Governance Principles Compliance report of Our Company is available on the Company website in the "Investor Relations" section, under the heading of "Corporate Governance".

PART I - SHAREHOLDERS

2- Department of Investor Relations

Our Company has established the Department of Investor Relations & Strategic Planning & PR which will operate as subordinated to the Deputy 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.

Manager of the IR department is Uğur GÜNEY, who is also the Group President of Investor Relations, Strategic Planning and PR a member of Corporate Governance Committee. He has the licenses of CMB Advanced Level and Corporate Governance Rating License.

The contact information of the investor relations team is provided below:

Name	Title	Telephone	E-mail	License
Uğur GÜNEY	Group President	216 600 1025	ugur.guney@halkgyo.com.tr	Advanced Level / Corporate Governance Rating License / Real Estate Appraisal License
Serpil YÖRÜK	Manager	216 600 1033	serpil.yoruk@halkgyo.com.tr	Advanced Level / Corporate Governance Rating License / Real Estate Appraisal License / Derivatives License
M. Erhan ÇELEBİ	Assistant Specialist	216 600 1006	mustafaerhan.celebi@halkgyo.com.tr	
E. Melis BULAK	Assistant Specialist	216 600 1015	eylulmelis.bulak@halkgyo.com.tr	

Except for the confidential information and/or trade secrets which are not publicly disclosed, department of Investor Relations also take responsibilities for the duties stated as below;

- Providing the maintenance of related records of the shareholders in a safe and updated way,
- 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 addition, the Investor Relations, which acts as an effective communication channel between the Company and its shareholders, attended all the meetings of the Corporate Governance Committee during the period, and provided the Committee with information about its activities, important developments during the period and regulatory changes that concern the investor relations activities. Investor Relations Department also played an active role in the improvement and rating of corporate governance practices.

In 2014, a total of 85 questions received from the individual investors via telephone and e-mail was replied by the IR Team, and totally 40 of foreign and domestic meetings were held in the Company with investment funds and intermediary analysts.

3- Use of Shareholders' Right to Information

Halk GYO Disclosure Policy is based on transparency and fairness and our Company treats every shareholder equally in all of the public disclosure activities. Information demands of the shareholder, unless they are disclosed, are evaluated in accordance with such policy and principles.

Shareholders can request information by directly contacting the Investor Relations or by sending an email.

During the period, comprehensive information requests and queries received from investors have been responded pursuant to primal legislation and the Company's Disclosure Policy, as well as all other considerations relating to public disclosure. Necessary records related to written and oral information requests and the responses regularly kept by the Investor Relations. Not only the information requests made to the Company, but also the prepared reports about the Company are regularly followed up.

The Company website is actively used to facilitate public disclosure and usage of shareholder rights. Quarterly investor presentations in Turkish and English, as well as the financial statements, along with material event disclosures made through the Public Disclosure Platform (PDP) are published on the Company website in both Turkish and English. Moreover, the sections of the Company's website which are subject to updates, particularly the information with a potential impact on the usage of shareholder rights, are regularly updated.

By this way, accurate and updated information is made available especially to investors and analysts in addition to various individuals or institutions that require information about the Company and its activities.

During the period, the Company organized the corporate website as demanded by the "Regulation" governing the websites of equity companies published by the Ministry of Customs and Trade, and incorporated the "Information Society Services" section. Investors link to the CRA portal via the Information Society Services section and are able to access fundamental information about the Company.

Care is taken seriously to publish announcements about the Company's activities, which will take place in the press, in national editions of newspapers. In addition, news and documents concerning ordinary and extraordinary General Assemblies of Shareholders are also published on the corporate website.

Requests to appoint a special auditor have not been stipulated as an individual right in the Company's Articles of Association. On the other hand, during the period, our company did not receive any requests for appointing of a special auditor.

4- 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 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 in 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 Annual General Assembly of Shareholders for 2013 made on 10 April 2014 in the Company centre with 78.2% attendance, of which 78% were acting as proxies and 0.2% were acting in person. Besides the shareholders, all Members of the Board of Directors were participated in the meeting, as well as officials from the independent audit firm to give information about the Company's financial statements and the audited period, Company' general manager and authorized officials.

Although the Company's Articles of Association do not include prohibitive provisions for the media about attending the General Assembly, no members of the media attended the General Assembly held.

The Company's General Assembly Meeting for 2013 was concurrently held on the Electronic General Meeting System provided by the Central Registry Agency, under the relevant regulations of the Turkish Commercial Code and the Ministry of Customs and Trade, and shareholders who have a right to participate in the General Assembly Meeting were given the opportunity to electronically participate in the meeting, assign a proxy, make suggestions, express their comments, and cast votes through this system. The General Assembly process was carried out in compliance with the Corporate Governance Principles and the provisions of the Turkish Commercial Code (TCC); additionally, the invitation of the meeting, including the agenda and the draft amendments, were published on the Public Disclosure Platform, the corporate website, the Electronic General Meeting System (e-GEM) of the CRA, Turkish Trade Registry Gazette and in a national newspapers. Beside these, "General Assembly Informative Document" was prepared to ensure that investors were informed about meeting topics in advance. This document, as well as the proxy form sample, the agenda and the dividend distribution proposal of the Board of Directors along with the invitation were published on the Company website. The 2013 Annual Report was made available 21 days before the meeting date at the Company's headquarters, on address of www.kap.gov.tr and on the Company website for investor review.

All prepared documents in relation to the General Assembly were uploaded to the Electronic General Meeting System of CRA.

Prior to the meeting, in accordance with Corporate Governance Principles, shareholders were informed about the number of total votes that may be cast at the General Assembly, the privileges they have, and the voting procedure. At each stage of the meeting, shareholders are allowed to raise questions and make suggestions. All questions are answered and all proposals are taken into consideration as well. The questions and proposals by attended shareholders were added in meeting minutes. Furthermore, all oral and written queries from the shareholders about the Company during the period were answered prior to and after the General Assembly of Shareholders within the scope of the Company Disclosure Policy.

After the General Assembly, the meeting minutes were uploaded to the e-GEM, the minutes and the list of attendants were publicly disclosed through the Public Disclosure Platform, and were submitted shareholders' information by publishing them under the heading of "Corporate Governance-General Assembly" beneath the "Investor Relations" section of the Company website.

In General Assembly, the Company's Dividend and Disclosure Policies, revised in scope of related regulations of CMB, were brought to shareholders attention and confirmed. Any kind of donation was not carried on by the Company.

Under the Company's Donations Policy, the donation budget allocated for the Company's donations during 2014 and approved by the General Assembly was decided to be upper limit as specified in H paragraph of Article 5 of the Company's Articles of Association.

During the General Assembly Meeting held in the year, Board of Directors Members was allowed to transact under Articles 395 and 396 of the TCC concerning "prohibition on doing business with the Company, on borrowing from the Company" and "noncompeting".

In addition, shareholders were informed that the Board Members practiced neither business nor operations which are in the scope of Capital Market Board Corporate Governance Principles Article 1.3.6. nor treatments in accordance with related regulations of TCC.

In the meeting; changes of the duties, capital increase and both the amount and the date of dividend distribution in cash were also determined.

The General Assembly did not convene extraordinarily during the reporting period.

5- Voting Rights and Minority Rights

Of total of 697,900,000 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 TL 1,500,000,000, 11,290,683 shares constitute A group shares and 686,609,317 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." Principles related to voting at General Assembly Meetings are placed in the Company's "General Assembly Operating Principles and Procedures Guidelines", which has been submitted for approval at the General Assembly and has been publicly disclosed.

Each share is entitled to one vote at either ordinary or extraordinary General Meetings. Shareholders are allowed to be represented at General Meetings by proxies given either to other shareholders or to those who are not shareholders. Such proxy holders who are also shareholders have the right, except their own vote, to vote for each share they represent. 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.

6- 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 revised Company Dividend Policy in the scope of Dividend Communiqué by CMB was submitted shareholders' information and approval in General Assembly, 2013.

Confirmed and revised policy was publicly disclosed and published in Company Annual Report and on Company website. In the scope of revised policy, distributing dividends of up to 50% of the distributable net profit to shareholders has been taken as a principle except such special situations of investing for the long-term growth of the Company and extraordinary developments in general economic conditions.

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 2013 has been distributed to the shareholders as bonus shares by % 80.69- TL 24,261,296 and in cash % 10- TL 3,006,912 (on April 15,2014) with the decision in Ordinary General Assembly meeting.

7- Transfer of Shares

The Company's Articles of Association do not consist of any provisions of restricting the transfer of shares.

PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

8- 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. In the period, the Company Disclosure Policy was updated in line with the "Communiqué of Public Disclosure" by CMB and presented for the information and approval of the General Assembly, publicly disclosed and published in the Company Annual Report and on the Company website under "Policies" under the heading of "Corporate Governance" in the "Investor Relations" section.

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.

In 2013 Annual Report, for the subject of future expectations disclosure to public, the prediction of "Return on Equity will be 7.5% by the end of 2014" was made. It was disclosed to public that this forecast had accrued or not under the related topic in 2014 Annual Report.

During the year, with the quarterly earnings releases, in the case where estimates and the base for these expectations are not realized or it is understood that they are not going to be realized,

the updated expectations are shared with public with the required explanation. During the year, with the quarterly earnings releases, in the case where estimates and the base for these expectations are not realized or it is understood that they are not going to be realized, the updated expectations are shared with public with the required explanation.

9- Company's Web Site and Its Content

The Company's web site is available at www.halkgyo.com.tr. The information and documentation as stipulated under the CMB Corporate Governance Principles Article 2.1.1 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 Company takes due precautions in order to protect accuracy of published information and to prevent the changes on them. The information made available at our web site is also available in English so that the foreign investors can make use of it.

In 2014, our company designed a English and Turkish mobile site to provide easy access for smart phones and tablets. This mobile site contains all published and synchronically updated information on the Company's website.

10- 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 Article 2.2.

After obtaining approval by Board of Directors, our annual reports are disclosed in quarterly periods, published on the Company website and sent to the shareholders upon their demands.

PART III - BENEFICIARIES

11- 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 7 press bulletins had been published and 54 material disclosures made.

12- 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.

13- 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. When considering of the number of the Company's employees and its current organizational structure, a specific person has not been assigned as a representative to manage the relations with employees. Our company does not have a written indemnity policy for its employees yet, pursuant to Article 3.1.2 of Corporate Governance Principles. All of the legally-recognized rights of each employee are protected within the frame of the Company's Code of Ethics and Commerce and all sufficient measures have been taken in order to ensure a safe and healthy work environment. 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.

14- Code of Ethics and Social Responsibility

The Code of Ethics, which was set in 2010 and approved by the Board of Directors, have been published at the web site of our Company and disclosed to the public. The Code of Ethics is available under the title "Corporate Governance" in the "Investor Relations" section on the web site. Our Company carries out their relationships with all the beneficiaries with whom they have relationships in accordance with the code of ethics.

There is no action brought against the Company because of the damages to the environment within the period.

Our Company's vision includes evaluation of their investment in the best way as much as providing external benefit for the environments where they are located in respect of modern urban planning.

PART IV – BOARD OF DIRECTORS

15- 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 at least of 5 non-executive members including two independent members. There is no female member in the Board of Directors.

Mr. Levent KILIÇ resigned from the position of Board of Directors Member in 08.12.2014. In the reporting year, Yunus Karan, who was a Independent Member of the Board, has lost his independency by being elected as a Member of the Halkbank Board with the frame of Article 4.3.8 of Corporate Governance Principals and the necessary disclosure has been made related to this subject. The eligible number of independent member for the Board has been reached with the selection for Board of Directors made in the General Assembly on 10 April 2014, in accordance with the Article 4.3.4. of Corporate Governance Principals.

Within the scope of Corporate Governance Principles, a Nominating Committee was not founded at the Company, and its duties are fulfilled by the Corporate Governance Committee. Within this line, to fill the holes in the Board, new Members were nominated to work as Independent Board member by the Corporate Governance Committee to be submitted in General Assembly in the period.

In 10.04.2014, Corporate Governance Committee prepared a report about the nominee's independence (or not) and presented the report to the Board of Directors. The statements of independence made by the independent members are provided in the annual report for 2013. 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 2014.

The curriculum vitae of the Board members are stated as below:

BOARD OF DIRECTORS								
Name	Title	Profession	Offices Held at the Trust for the last 5 years	Last Offices Held other than the Trust	Capital Share at Trust (%)	Represented 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	Türkiye Halk Bankası A.Ş. Chairman Of The Board			April 2014- 3 Years	Not Independent Member
Ahmet YARIZ	Member Of The Board	Bank Employee	Member Of The Board	Türkiye Halk Bankası A.Ş. Member Of The Board			April 2014- 3 Years	Not Independent Member
Yunus KARAN	Member Of The Board	Bank Employee	Member Of The Board	Türkiye Halk Bankası A.Ş. Member Of The Board			April 2014- 3 Years	Not Independent Member
Yüksel GÖRGEÇ	Member Of The Board	Bank Employee	Member Of The Board				April 2014- 3 Years	Independent Member
Yahya BAYRAKTAR	Member Of The Board	Bank Employee	Member Of The Board	Vakıf B Tipi Menkul Kıymetler Yo A.Ş. Independent Member Of The Board			April 2014- 3 Years	Independent Member
Executives								
Kazım ŞİMŞEK	General Manager	Bank Employee	General Manager				2010	

Hasan CEBECİ - Chairman

He was born in 1949 in Çankırı. 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. Vakıflar Bankası 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 Bankası A.Ş. on 28.03.2003, and had continued to hold office at the position of General Manager and CEO as of 08.12.2003. MR. Cebeci who elected as the Chairman of the Board of Directors at T. Halk Bankası A.Ş. on 13.04.2005 has been holding office as the Chairman of the Board of Directors at T. Halk GYO A.Ş. as of 29.03.2011.

Dr. Ahmet YARIZ - Vice Chairman

He was born in 1966 in Elazığ. He completed his undergraduate studies at the Faculty of Business Administration, İstanbul University and his graduate and doctorate studies at the Institute of Banking and Underwriting, Marmara University. He started his banking career at Sinaî Yatırım ve Kredi Bankası 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. Vakıflar Bankası 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 Bankası A.Ş. as of 09.04.2008 and he has been assigned as the Deputy Chairman of the Board of Directors as of 10.04.2014.

Yunus KARAN - Member

He was born in 1940 in Giresun. He completed his undergraduate studies in 1964 at the Department of Finance & Accounting, İstanbul Academy of Economics and Commercial Sciences. Having started to hold office at Rize Branch of T.C. Ziraat Bankası A.Ş. in 1965, Mr. KARAN had held office of Branch Manager at Dolapdere, Sehermini and Fatih branches of T.C Ziraat Bankası A.Ş. until 1996, and of Fatih Branch Manager at İhlas Finans Kurumu between 1996 and 1999. Having held office of the Member of the Board of Directors at Ziraat Leasing Finansal Kiralama A.Ş. between 2002 and May, 2012, Mr. KARAN has been assigned to the position of the Independent Member of the Board at Halk GYO A.Ş. on 14.05.2012 and assigned to the position of Member of the Board of Directors at Halk GYO on 10.04.2014.

Yüksel GÖRGEÇ - Independent Member

He was born in 1960 in Osmancık/ 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 Türk Katılım Bankası A.Ş. 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 Yatırım Ortaklığı A.Ş. on 14.05.2012.

Yahya BAYRAKTAR - Independent Member

He was born in 1955, Erzincan / Kemaliye. He graduated from İstanbul Religious Vocational High School in 1974 and Business Administration Department of Economics and Administrative Sciences Faculty, METU (Middle East Technical University), Ankara in 1981. In 1982, he started to work as Deputy Inspector and worked as Inspector between the years of 1986 and 1988 in Yapı Kredi Bank. In 1988, he started as Inspector in Faisal Financial Institution and became the Principal of Funds and Banking Department and continued as Fund Management Principal. In 2009, he worked as Branch Principal of Türkiye Finans Katılım Bankası. Now he is Independent Board Member of Vakıf Securities Investment Trust Co. while he is also General Secretary of Erzincan Eğitim ve Kültür Foundation in which he is responsible for the organizations of student scholarship and educating activities. As of 10.04.2014, he has been fulfilling the duty of Independent Board Member of our Company.

16- Principle Activities 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 Board minutes book 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 one 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, providing a resolution from Board of Directors.

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. Board of Directors decisions about the subjects mentioned in related communiqués and legislations are disclosed and posted on the Company website.

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 beneficiaries 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.

A Board of Directors Secretariat has not been set up at the Company and related works are carried out by Legal Consultancy Department. This unit is responsible for and actively involved in organizing Board meetings, preparing and recording reports, documentation, and Board decisions, providing the communication among Board Members, and performing similar duties.

In 2014, the Board of Directors of the Company has convened for 53 times and made 112 resolutions during these. Care is taken for the date of meeting to be determined so as to ensure the participation of all the members. All Board Members attended all of the Board meetings held during the year. All decisions are taken unanimously by the Board. No dissenting opinions were voiced in any of the decisions taken during board meetings. Since no votes were posed against any of the taken decisions, it was not necessary to make note of any opposition to them in meetings' minutes.

Board Members are not allowed to enjoy any special voting rights and/or has the power to exercise a veto.

During the year, The Board of Directors presented decisions in General Assembly about related

Committee	Chairman	Status of Independence	Member	Status of Independence
Audit Committee	Yüksel GÖRGEÇ	Independent	Yahya BAYRAKTAR	Independent
Corporate Governance Committee	Yahya BAYRAKTAR	Independent	Yunus KARAN Uğur GÜNEY	Not Independent Not Independent
Remuneration Committee	Yüksel GÖRGEÇ	Independent	Yunus KARAN	Not Independent
Early Detection of Risk Committee	Yüksel GÖRGEÇ	Independent	Yahya BAYRAKTAR	Independent

The Board of Directors of the Company is constituted by 5 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

party transactions of material nature were taken unanimously with the affirmative votes of the Independent Board Members.

17- 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 Markets 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.

Within the scope of CMB Corporate Governance Communiqué, during the period and after the Company's annual meeting, the duties and responsibilities of Board Members were assigned and elections to committee seats were held, which were then publicly announced. Committee Members are elected as required in the principles of Corporate Governance.

The information about committees is provided below:

directors is assigned in more than one committee within the current organization.

In the Board of Directors, there is no Nominating Committee which has been constituted. The functions of this committee are performed by the Corporate Governance Committee.

A Corporate Governance Committee has been set up in accordance with the Capital Markets Board's rules and regulations related to corporate governance and it has been charged with fulfilling its incumbent duties and responsibilities which are specified under Corporate Governance Principles. This Committee regularly oversees the Company's corporate governance practices and it exerts effort to make improvements in them. In addition to its corporate governance functions, this Committee also gives a crucial importance to investor relations achievement with respect to the criteria used in remuneration.

Board of Directors Evaluation Report regarding committees' works in the period was presented under the title 1, in the Annual Report of 2014. At regular intervals, the Committee follows the Company's investor relations activities and strategies and it provides that the Board of Directors is kept regularly informed about such issues. Besides these functions, the Committee also gets into the acts in such areas as providing coordination among other committees and backing up their activities if necessary. During the period, Committee assembled for 4 meetings and took 4 decisions.

Corresponding its incumbent duties incumbent as indicated in its operating principles and pursuant to the principles of applicable Capital Market Laws, regulations, and administrative provisions during the period, the Audit Committee actively works in such subjects of publicly disclosing the Company's financial statements, having independent audits conducted, ensuring that the Company's internal control system functions in an effective way, electing members to Audit Committee and reviewing all other aspects of the independent auditors' activities. During the period, Committee assembled for 8 meetings and took 4 decisions.

In accordance with the CMB rules and regulations of corporate governance, the Committee for Early Detection of Risk has been established to early detect the threatening risks upon Company's existence, development and survival, to take the necessary provisions for identified risks, to manage the risks pursuant to Article 378 of TCC and to supervise the risk management systems. During the period, Committee assembled for 6

meetings and took 6 decisions. Remuneration Committee sets forth the remuneration principles, criteria and practices for members of the Board of Directors and executives by considering the Company's long-term objectives and overseeing the resulting compensation policy and practices and presents Committee's recommendations to the Board of Directors about the pay packages to be offered to the members of the Board of Directors and executives, taking into consideration the level of the level of achievement with respect to the criteria used in remuneration

Board of Directors Evaluation Report regarding committees' works in the period was presented under the title 1, in the Annual Report of 2014.

18- 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".

By considering the opinion of the relevant Board of Directors committees, the Board of Directors generates the Company's internal control systems, including information systems and processes as well as risk management systems, which ensure to minimize the impact of risks that have the potential to affect the Company's stakeholders, particularly its shareholders. The effectiveness of the risk management and internal control systems are reviewed at least once per each year. Internal Audit actions are conducted within the framework of approved "Annual Audit Plan" by Audit Committee. Internal control systems are formed in order to review, check, monitor, assess and report the fitness, adequacy and effectiveness of Company's activities, as well as their controls.

The information of inter-corporate controls and internal audit's existence, process and effectiveness are also presented in the annual reports.

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 and follow up of the portfolio restrictions, and a monthly statement of liquidity rate are drawn up by the "Department of Internal Audit and Risk Control", and these are submitted simultaneously to the Audit Committee, Corporate Governance Committee, Early Detection of Risk Committee, the senior management and to the Board. Thus, in respect of the management of the relevant risks, it is aimed by the senior management and by the Board 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. All real estate contained in the Company's portfolio is insured against any and all damages.

19- Company's Mission, Vision and Strategic Goals

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 Board of Directors approves the annual budget included of the targets and strategies so as to incorporate its own revisions and suggestions. Except extraordinary cases like all changes in strategies result of the decisions made and the deviations in estimations, the performance assessments of the company are conducted quarterly by the Board of Directors during the assessment of the financial statements. Short and long-term investment and funding plans are revised and repositioned, if needed due to new developments.

20- 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. In the line with the Article 4.6.6 of Corporate Governance Principles, the remunerations and all other benefits provided to Board members and executives are made publicly declared through annual reports. On the other hand, the declaration is not made separately for each member, but a cumulative number of all remunerations are declared. The total of the financial rights provided by the company for the board of directors and the executives is TL 857,816 as of the end of 2014.



Annex 2:

SUMMARY
APPRAISER'S
REPORTS FOR
THE ASSETS

LANDS & PROJECTS

İSTANBUL SANCAKTEPE LAND

Date Of Report	13.10.2014
Report No	2014_62
Date Of Appraisal	08.10.2014
Date Of Reference Contract	02.10.2014
Reference Contract No	2014_01
Short Description Of Appraised Real Estate	1 land located on the Block No. 8085, Parcel No. 33 in the District of Sancaktepe, Province of İstanbul. The Parcel is located within an area of 98127.74 m2.
Appraised Value (Precedent)	(VAT excluded) TL 160,000,000
HALK GYO SHARE(%50)	(VAT excluded) TL 80,000,000

İSTANBUL FINANCE CENTER PROJECT

Date Of Report	09.12.2014
Report No	2014_137
Date Of Appraisal	05.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	2014_137
Short Description Of Appraised Real Estate	The lands within gross areas of 16.337,10 and 12,394.57 m2 located on the Block No. 3328 and Parcel No. 4 and Block No. 3328 and Parcel No. 11 in the Quarter of Küçükbakkalköy, District of Ümraniye, Province of İstanbul.
Appraised Value (Precedent)	(VAT excluded) TL 574,633,400

KOCAELİ ŞEKERPINAR PROJECT

Date Of Report	22.10.2014
Report No	2014_300_03
Date Of Appraisal	17.10.2014
Date Of Reference Contract	09.09.2014
Reference Contract No	2014_300_03
Short Description Of Appraised Real Estate	Province of Kocaeli, District of Çayırova, Village of Şekerpınar, Plot No. G22B19A1B, Block No. 420, Parcel No. 26-Operation Center Project
Appraised Value (Precedent)	(VAT excluded) TL 141,367,384

İSTANBUL DEDEMAN PARK LEVENT HOTEL PROJECT

Date Of Report	11.12.2014
Report No	2014_HALKGYO_140
Date Of Appraisal	05.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	2014_HALKGYO_140
Short Description Of Appraised Real Estate	The land within a gross area of 2,721.02 m2 as registered under the Block no. 1957 and Parcel No. 6 in the Quarter of Mecidiyeköy, District of Şişli, Province of İstanbul.
Appraised Value (Precedent)	(VAT excluded) TL 121,992,000

REFERANS BAKIRKÖY “RESIDENCE+COMMERCIAL” PROJECT

Date Of Report	16.12.2014
Report No	2014_HALKGYO_139
Date Of Appraisal	06.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	2014_139
Short Description Of Appraised Real Estate	Parcel No. 2, Block No. 1224, and Parcel No. 1, Block No. 1225, Quarter of Osmaniye, District of Bakirkoy- Residence+Commercial Project.
Appraised Value (Precedent)	(VAT excluded) TL 108,178,755

ESKİŞEHİR “PANORAMA PLUS” “RESIDENCE+COMMERCIAL” PROJECT

Date Of Report	10.12.2014
Report No	2014_134
Date Of Appraisal	05.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	2014_134
Short Description Of Appraised Real Estate	1 land located on the Block No. 1452, Plot No. 20M-4A, and Parcel No. 110 in the District of Odunpazarı, Province of Eskisehir. The Parcel is located within an area of 9,811.21 m2.
Appraised Value (Precedent)	(VAT excluded) TL 47,395,494

BUILDINGS

İSTANBUL ATAŞEHİR FINANCE TOWER

Date Of Report	26.12.2014
Report No	2014_300_10
Date Of Appraisal	26.12.2014
Date Of Reference Contract	01.11.2014
Reference Contract No	2014_300_04.10
Short Description Of Appraised Real Estate	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 İstanbul, District of Ataşehir, Quarter of Küçükbakkalköy.
Appraised Value (Precedent)	(VAT excluded) TL 167,470,000

İSTANBUL ATAÖY BUILDING

Date Of Report	09.12.2014
Report No	125
Date Of Appraisal	04.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	125
Short Description Of Appraised Real Estate	The building with basement+ground+1 normal floor + penthouse located in Plot No. 51, Block No. 115, and Parcel No. 174, Province of İstanbul, District of Bakırköy, Quarter of Kartaltepe. The real estate is located within a parcel area of 515 m2.
Appraised Value (Precedent)	(VAT excluded) TL 10.290.000

İSTANBUL BEYOĞLU BUILDING

Date Of Report	09.12.2014
Report No	127
Date Of Appraisal	04.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	127
Short Description Of Appraised Real Estate	The office building being used by Beyoğlu Branch of Halk Bank and the Unit of Exchange, Under secretariat of Treasury, the Prime Ministry of the Republic of Turkey, which consists of 2 basement floors+ground floor+mezzanine floor+ 6 normal floors and 9 independent sections located in the Block No. 338, Parcel No. 8, Province of İstanbul, District of Beyoğlu, Quarter of Hüseyinağa.
Appraised Value (Precedent)	(VAT excluded) TL 19,270,000

İSTANBUL BEŞİKTAŞ BUILDING

Date Of Report	09.12.2014
Report No	126
Date Of Appraisal	04.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	126
Short Description Of Appraised Real Estate	Bank service building as masonry office building within an area of 267.23 m2 as registered under Block No. 291, Parcel No. 93, Province of İstanbul, District of Beşiktaş, Quarter of Sinanpaşa.
Appraised Value (Precedent)	(VAT excluded) TL 15,114,000

İSTANBUL BAKIRKÖY BUILDING

Date Of Report	09.12.2014
Report No	124
Date Of Appraisal	04.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	124
Short Description Of Appraised Real Estate	The building with 2 basement floors+ground floor+5 normal floors located in Plot No. 16, Block No. 101, Parcel No. 29, Province of İstanbul, District of Bakırköy, Quarter of Zeytinlik. The real estate is located on a parcel within a gross area of 213.70 m2.
Appraised Value (Precedent)	(VAT excluded) TL 19,602,000

İSTANBUL CADDEBOSTAN BUILDING

Date Of Report	09.12.2014
Report No	128
Date Of Appraisal	04.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	128
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 m2 located in the Plot No. 106/4, Block No. 368, Parcel No. 25, Province of İstanbul, District of Kadıköy, Quarter of Erenköy.
Appraised Value (Precedent)	(VAT excluded) TL 7,165,000

İSTANBUL ETİLER BUILDING

Date Of Report	09.12.2014
Report No	131
Date Of Appraisal	04.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	131
Short Description Of Appraised Real Estate	The building registered under the Block No. 578, Parcel No. 3, Province of İstanbul, District of Beşiktaş, Quarter of Bebek.
Appraised Value (Precedent)	(VAT excluded) TL 14,575,000

İSTANBUL FATİH BUILDING

Date Of Report	09.12.2014
Report No	130
Date Of Appraisal	04.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	130
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 İstanbul, District of Fatih, Quarter of Hobyar.
Appraised Value (Precedent)	(VAT excluded) TL 9,050,000

İSTANBUL KARAKÖY BUILDING

Date Of Report	09.12.2014
Report No	135
Date Of Appraisal	05.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	135
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 İstanbul, District of Beyoğlu, Quarter of Mueyyetzade.
Appraised Value (Precedent)	(VAT excluded) TL 28,500,000

İSTANBUL NİŞANTAŞI BUILDING

Date Of Report	09.12.2014
Report No	132
Date Of Appraisal	05.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	132
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 İstanbul, District of Şişli, Quarter of Halaskargazi.
Appraised Value (Precedent)	(VAT excluded) TL 7,475,000

İSTANBUL SALIPAZARI BUILDING

Date Of Report	09.12.2014
Report No	HLKGYO-0138
Date Of Appraisal	05.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	HLKGYO-0138
Short Description Of Appraised Real Estate	Office building with 1 basement floor + ground floors+ 7 normal floors + 1 pent-house registered under the Plot No. 138, Block No. 57, Parcel No. 14, Province of İstanbul, District of Beyoğlu, Quarter of Kılıçali (Halk Bank Salıpazarı Branch and Head Office Additional Service Building)
Appraised Value (Precedent)	(VAT excluded) TL 43,400,000

İSTANBUL ŞİŞLİ BUILDING

Date Of Report	09.12.2014
Report No	129
Date Of Appraisal	04.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	129
Short Description Of Appraised Real Estate	The building qualified as masonry apartment building with a store under it within an area of 200.00 m2 registered under the Block No. 954, Parcel No. 62, Province of İstanbul, District of Şişli, Quarter of Meşrutiyet.
Appraised Value (Precedent)	(VAT excluded) TL 13,000,000

ANKARA BAHÇELİEVLER BUILDING 1

Date Of Report	11.12. 2014
Report No	2014_300_04.10
Date Of Appraisal	08.12.2014
Date Of Reference Contract	01.11.2014
Reference Contract No	2014_300_04.10
Short Description Of Appraised Real Estate	Province of Ankara, Central District of Çankaya, Quarter of Yukari Bahçelievler, Block No. 2758 and Parcel No. 29 "Masonry building"
Appraised Value (Precedent)	(VAT excluded) TL 9,077,500

ANKARA BAHÇELİEVLER BUILDING 2

Date Of Report	09.12.2014
Report No	2014_300_5
Date Of Appraisal	09.12.2014
Date Of Reference Contract	01.11.2014
Reference Contract No	2014_300_04.10
Short Description Of Appraised Real Estate	Province of Ankara, District of Çankaya, Block No. 2763, Parcel No. 10, ground floor, No: 9 "Bank with Storage".
Appraised Value (Precedent)	(VAT excluded) TL 7,735,000

ANKARA KIZILAY BUILDING

Date Of Report	12.12.2014
Report No	2014_300_06
Date Of Appraisal	09.12.2014
Date Of Reference Contract	01.11.2014
Reference Contract No	2014_300_04.10
Short Description Of Appraised Real Estate	Province of Ankara, District of Çankaya, Block No. 1064, Parcel No. 14, registered real estate qualified as "Masonry Building" (51 independent sections)
Appraised Value (Precedent)	(VAT excluded) TL 17,675,000

ANKARA BAŞKENT BUILDING

Date Of Report	25.12.2014
Report No	2014_300_07
Date Of Appraisal	25.12.2014
Date Of Reference Contract	01.11.2014
Reference Contract No	2014_300_04.10
Short Description Of Appraised Real Estate	Province of Ankara, District of Çankaya, Block No. 1046, Parcel No. 27, registered real estate qualified as "Apartment Building".
Appraised Value (Precedent)	(VAT excluded) TL 13,224,000

İZMİR KONAK BUILDING 1

Date Of Report	09.12.2014
Report No	136
Date Of Appraisal	05.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	136
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 İzmir, District of Konak, Quarter of Akdeniz.
Appraised Value (Precedent)	(VAT excluded) TL 18,530,000

İZMİR KONAK BUILDING 2

Date Of Report	09.12.2014
Report No	133
Date Of Appraisal	05.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	133
Short Description Of Appraised Real Estate	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 İzmir, District of Konak, Quarter of Akdeniz (Ind. Sec. No. 15 - Halk Sigorta A.Ş. Aegean Head Office, Department of Branch Operations, Halk Yatırım A.Ş. İzmir Branch located in Pamuk Plaza; Ind. Sec. No. 16 – Ground floor transformer; Ind. Sec. No. 1, 3, and 5 -T. HalkBankası A.Ş. Coordinator Office of the 1st Region, etc.)
Appraised Value (Precedent)	(VAT excluded) TL 12,600,000

BURSA BUILDING

Date Of Report	09.12.2014
Report No	123
Date Of Appraisal	04.12.2014
Date Of Reference Contract	03.12.2014
Reference Contract No	123
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 (Precedent)	(VAT excluded) TL 10,865,000

KOCAELİ BUILDING

Date Of Report	09.12.2014
Report No	2014_300_08
Date Of Appraisal	05.12.2014
Date Of Reference Contract	01.11.2014
Reference Contract No	2014_300_04.10
Short Description Of Appraised Real Estate	"Reinforced Concrete Bank Service Building" in the Block No. 870, Parcel No. 48, Province of Kocaeli, District of İzmit.
Appraised Value (Precedent)	(VAT excluded) TL 8,630,000

SAKARYA ADAPAZARI BUILDING

Date Of Report	11.12.2014
Report No	2014_300_09
Date Of Appraisal	08.12.2014
Date Of Reference Contract	01.11.2014
Reference Contract No	2014_300_04.10
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 (Precedent)	(VAT excluded) TL 8,250,000

FINANCIAL
STATEMENTS
AS AT AND FOR
YEAR ENDED
31 DECEMBER 2014
WITH INDEPENDENT
AUDITORS' REPORT
THEREON

**“CONVENIENCE
TRANSLATION
TO ENGLISH
OF FINANCIAL
STATEMENTS
TO THE FINANCIAL
STATEMENTS
ORIGINALLY ISSUED
IN TURKISH”**

*Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi
17 February 2015*

*This report includes 2 pages of
independent auditor's report and 55 pages
of financial statements and notes to the
financial statements*



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 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Company Management's Responsibility for the Financial Statements

The Company management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error or fraud.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and standards on auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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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 entity'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 consolidated financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards.

Emphasis of matters which do not impact on the opinion

As explained in Note 4 to the condensed financial statements, the Company earns significant portion of its revenue from its related parties.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 17 February 2015.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities, financial statements for the period 1 January - 31 December 2014 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Erdal Tıkmak,
Certified Public Accountant Partner
17 February 2015
İstanbul, Turkey

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 operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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Appendix I Control of compliance with restrictions on the investment portfolio

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

Balance Sheet

	Note	Audited	Audited
		31 December 2014	31 December 2013
CURRENT ASSETS		183,420,241	235,706,098
Cash and cash equivalents	5	8,658,261	72,169,331
Financial investments	6	37,928,769	104,188,011
Inventories	7	11,984,216	12,069,703
Inventories	8	103,090,737	44,969,470
Prepaid expenses	16	244,912	441,720
Related parties	4	192,728	411,617
Other		52,184	30,103
Current tax assets		1,094,638	1,143,468
Other current assets	16	20,418,708	724,395
Related parties		--	359
Other		20,418,708	724,036
NON-CURRENT ASSETS		744,986,425	654,425,796
Trade receivables	7	317,535	2,504,285
Investment property	10	713,531,361	615,745,523
Prepaid expenses	16	19,616,841	20,818,198
Tangible assets	11	915,395	1,097,460
Intangible assets	12	703,933	223,499
Other non-current assets	16	9,901,360	14,036,831
TOTAL ASSETS		928,406,666	890,131,894

Balance Sheet

LIABILITIES		31 December 2014	31 December 2013
SHORT-TERM LIABILITIES	Note	87,142,074	102,905,640
Current portion of long term borrowings	13	3,397,361	3,325,159
- Borrowings from related parties	4	3,397,361	3,325,159
Trade payables	7	606,561	2,381,906
- Due to related parties	4	126,242	117,876
- Due to non-related parties	7	480,319	2,264,030
Short term portions of employee benefits	15	676,601	512,438
Deferred income	9	76,802,390	95,401,043
Other short-term liabilities		5,659,161	1,285,094
LONG-TERM LIABILITIES		13,470,697	18,050,241
Long term borrowings	13	13,340,555	15,212,501
- Borrowings from related parties	4	13,340,555	15,212,501
Long term portions of employee benefits	15	130,142	49,390
Deferred income	9	--	2,788,350
EQUITY	17	827,793,895	769,176,013
Share capital		697,900,000	673,638,704
Own shares acquired (-)		(19,675,318)	(18,991,341)
Share premium		49,945,096	49,945,096
Other comprehensive income that will never be reclassified to profit or loss		(19,660)	(3,392)
Defined benefit plan actuarial gains (losses)		(19,660)	(3,392)
Other comprehensive income that are or may be reclassified to profit or loss		--	(209,146)
Net change in fair value of available-for-sale financial assets		--	(209,146)
Restricted reserves		28,363,063	2,074,167
Retained earnings		9,933,568	31,211,098
Net profit for the period		61,347,146	31,510,827
TOTAL LIABILITIES AND EQUITY		928,406,666	890,131,894

* The accompanying notes are an integral part of these financial statements.

Income table

	Note	Audited 01.01. - 31.12.2014	Audited 01.01. - 31.12.2013
Revenue	18	86,611,117	58,513,850
Cost of sales	18	(14,649,589)	(12,023,516)
Gross profit		71,961,528	46,490,334
Administrative expenses	19	(10,924,043)	(9,753,600)
Other operating income	20	9,365,000	1,427,368
Other operating expense	20	(7,271,997)	(2,468,834)
Operating profit		63,130,488	35,695,268
Financial expenses	21	(1,783,342)	(4,184,441)
Profit before tax		61,347,146	31,510,827
Tax income / (expense)	22	--	--
NET PROFIT FOR THE PERIOD		61,347,146	31,510,827
Earnings per share	23	0.0879	0.04515
OTHER COMPREHENSIVE INCOME			
Other comprehensive income non- reclassified to profit or loss		(16,268)	(3,392)
Defined benefit plan actuarial gains (losses)		(16,268)	(3,392)
Other comprehensive income reclassified to profit or loss		209,146	(209,146)
Net change in fair value of available-for-sale financial assets		209,146	(209,146)
Other Comprehensive Income		192,878	(212,538)
TOTAL COMPREHENSIVE INCOME		61,540,024	31,298,289

The accompanying notes are an integral part of these financial statements



Statement Of Changes In Equity

	Notes	Share capitals	Own shares acquired	Share premiums	Other comprehensive income that are or may be reclassified to profit or loss Net loss in fair value of available-for-sale financial assets	Other comprehensive income that will never be reclassified to profit or loss Defined benefit plan actuarial gains (losses)	Restricted reserves	Accumulated Profit		Total
								Retained Earnings	Net profit for the period	
Balance at 1 January 2013	17	477,000,000	--	--	--	--	1,453,261	30,797,750	12,065,699	521,316,710
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)
Share capital increase from reserves		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)
Balance at 31 December 2013	17	673,638,704	(18,991,341)	49,945,096	(209,146)	(3,392)	2,074,167	31,211,098	31,510,827	769,176,013
Balance at 1 January 2014	17	673,638,704	(18,991,341)	49,945,096	(209,146)	(3,392)	2,074,167	31,211,098	31,510,827	769,176,013
Transfer to reserves		--	--	--	--	--	26,288,896	5,221,931	(31,510,827)	--
Total comprehensive income		--	--	--	209,146	(16,268)	--	--	61,347,146	61,540,024
Share capital increase from reserves		24,261,296	(683,977)	--	--	--	--	(23,577,319)	--	--
Dividend payment		--	--	--	--	--	--	(2,922,142)	--	(2,922,142)
Balance as at 31 December 2014	17	697,900,000	(19,675,318)	49,945,096	--	(19,660)	28,363,063	9,933,568	61,347,146	827,793,895

Statement Of Cash Flows

	Notes	Audited	Audited
		1 January – 31 December 2014	1 January – 31 December 2013
Cash flows from operating activities			
Net profit for the period		61,347,146	31,510,827
Adjustments related with net profit reconciliation:			
Adjustments to the depreciation expense of investment property	10	1,160,620	1,174,006
Adjustments to the depreciation expense of tangible assets	11	487,186	315,278
Adjustments to the amortization expense of intangible assets	12	8,883	3,228
Adjustments to the provisions		626,540	828,112
Profit or loss sales of tangible assets		(323)	--
Adjustments to the interest income and interest expense		(11,756,762)	(3,922,860)
Adjustments to the unrealized foreign currency conversion		(2,093,003)	1,041,466
Adjustments to the fair value loss / profit		(1,280,977)	141,785
Adjustment to income from disposal of investment property		--	(9,618,779)
Changes in working capital			
Adjustments to the increase/decrease in inventory		(58,121,267)	(7,885,057)
Adjustments to the increase/decrease in trade receivables		2,272,237	(3,363,888)
Adjustments to the increase/decrease in prepaid expenses		1,398,165	(19,926,663)
Adjustments to the increase/decrease in other current assets		(15,510,012)	(611,319)
Adjustments to the increase/decrease in trade payables		(1,775,345)	2,006,567
Adjustments to the increase/decrease in deferred income		(19,398,941)	34,578,443
Adjustments to the increase/decrease in other liabilities		4,357,801	1,055,029
Proceeds from sale of shares or debt instruments of a business organization or funds		180,028,680	42,525,622
Proceeds from acquisition of shares or debt instruments of a business organization or funds		(110,664,716)	(146,423,937)
Cash flows related to the operating activities			
Dividend received		15,162	9,932
Interest received		12,337,576	7,556,633
Other cash outflows		(542,050)	(526,288)
Net cash provided from/(used in) operating activities		42,896,600	(69,531,863)
Cash flows used in investing activities			
Cash payments for acquisition of tangible assets		(306,342)	(468,642)
Cash payments for acquisition of intangible assets		(489,317)	(213,772)
Cash payments for acquisition of investment property	10	(98,946,458)	(20,544,692)
Cash inflow from the sale of investment property		--	18,000,000
Cash received from sale of tangible assets		1,544	--
Net cash used in investment activities		(99,740,573)	(3,227,106)

	Notes	Audited	Audited
		1 January – 31 December 2014	1 January – 31 December 2013
Cash flows from financing activities			
Cash received from issuing own shares		--	250,425,000
Expenses related to new shares issues		--	(24,809,533)
Public offering expenses			(8,847,688)
Interest paid		(1,786,864)	(9,093,392)
Dividend paid		(2,922,142)	(206,765)
Repayment of borrowings		(1,796,223)	(69,289,518)
Net cash provided from /(used in) financing activities		(6,505,229)	138,178,104
Net increase /(decrease) in cash and cash equivalents before the effect of foreign currency conversion adjustments		(63,349,202)	65,419,135
The effect of foreign currency conversion adjustments in cash and cash equivalents		104,940	6,726
Net increase /(decrease) in cash and cash equivalents		(63,244,262)	65,425,861
Cash and cash equivalents at the beginning		71,902,523	6,476,662
Cash and cash equivalents at the period end	5	8,658,261	71,902,523

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 authorization 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 697,900,000, 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 and TL 35,400,000 as paid bonus issue.

The headquarter of the Company is registered in Şerifali Çiftliği Tatlısu Mah. Ertuğrulgazi Sok. No:1 34774 Yukarı Dudullu Ümraniye/İstanbul. As at 31 December 2014, the number of personnel employed in the Company is 40. (31 December 2013: 33)

The Company is a subsidiary of Türkiye Halk Bankası AŞ ("Halkbank") and was registered on 18 October 2010. With the amendment dated 31 December 2009 made by the CMB the Communiqué on the Principles of Real Estate Investment Trusts, it is obligatory that the shares

of trusts representing a minimum 25% of their capital be issued within three months of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, are offered to public and that they apply to the CMB with the request that all shares to be registered. The Company has applied to 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 25 June 2014 the Company has increased its share capital to TL 697,900,000 by transferring TL 24,261,296 from retained earnings to share capital.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1. Statement of compliance

The accompanying financial statements and explanatory notes have been prepared in accordance with Turkish Accounting Standards ("TAS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") as set out in the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Markets Board of Turkey ("CMB"), which is published on 13 June 2013 at the Official Gazette numbered 28676. TAS included Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations. As at 31 December 2014, the financial statements of the Company have been approved by the Board of Directors of the Company on 17 February 2015.

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 with the "Announcement on Financial Statements and Footnote 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

The accounting policies applied for the year ended 31 December 2013 have been applied consistently for year ended 31 December 2014 in preparing these financial statements. Changes in accounting policies are applied retrospectively and restating the prior year financial statements. There is no change in the accounting policy

2.1.5. Control of compliance with restrictions on the investment portfolio

As at 31 December 2014, 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 accompanying 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 2014

The Company has applied all the standards and interpretations issued by the POA which are effective as at 31 December 2014.

2.3.1 New standards and interpretations as at 31 December 2014

There have been new standards and interpretations not yet adopted to the accompanying financial statements as at 31 December 2014. None of these standards and interpretations is expected to have significant effects on the financial statements.

TFRS 9 Financial Instruments – Classification and measurement

TFRS 11 – Accounting for acquisition of interests in joint operations

TFRS 15 Revenue from Contracts with customers

TAS 16 – Clarification of acceptable methods of depreciation and amortization Equity method in separate financial statements (Amendments to TAS 27)

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 28)

Bu düzenlemelerin ilişikteki finansal tablolar üzerinde önemli bir etkisinin olması beklenmemektedir.

2.4 Summary of significant accounting policies

2.4.1 Accounting for joint operations

The Company has signed a joint operation agreement with Vakıf Gayrimenkul Yatırım Ortaklığı AŞ for developing real estate projects.

The Company as a joint operator recognize its share in assets, liabilities, revenues and expenses interest in the joint operation in accordance with the TFRS 11 “Joint Arrangements”.

2.4.2 Revenue and expenses

Revenue is recognised when there is a possibility of obtaining economic benefit 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.

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 2.4.8.

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.

2.4.3. 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.

2.4.4 Inventories

Inventories are measured at the lower of cost and net realizable value. As at 31 December 2014, cost components included in the inventory consist of the land cost which is to be 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.

2.4.5 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.

2.4.6 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.

2.4.7 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.

2.4.8 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

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. Available-for-sale financial assets are subsequently measured at their fair values. Unrecognised gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in “other comprehensive

income that are and may be reclassified to profit or loss” under other comprehensive income. In case of sales, the realised gain or losses are recognised directly in the statement of operations.

(ii) Non-derivative financial liabilities

Loans and borrowings

Loans and borrowings 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. The Company derecognizes a financial liability when its contractual liabilities are discharged, cancelled or expire.

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.

2.4.9 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.

2.4.10 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.

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 2.4.18, the Company which operates as a real estate investment trust, is exempt from corporate tax.

2.4.17 Taxation

Aşağıda açıklandığı gibi Şirket gayrimenkul yatırım ortaklığı statüsünde bulunduğu kurumlardan vergisinden istisna tutulmuştur.

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.

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 judgments, 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 10 Investment Properties

3. JOINT OPERATIONS

As at 31 December 2014 and 31 December 2013, voting right of the Company in the joint operation is as follows:

Voting right in the Joint Operation	31 December 2014	31 December 2013
Halk GYO-Vakıf GYO Adi Ortaklığı	50.0%	--

Halk GYO-Vakıf GYO Adi Ortaklığı has founded in Turkey for operating as a joint operation with 50% shares and 50% voting right. The Company has signed a joint operation agreement with Vakıf Gayrimenkul Yatırım Ortaklığı AŞ for developing real estate projects.

As at 31 December, the Company's share in financial statements of the Halk GYO-Vakıf GYO Adi Ortaklığı is as follows:

	31 December 2014
Non-current assets	9,901,360
Current assets	60,162,805
Short-term liabilities	(369)
Long-term liabilities	--
Net assets	70,063,796

	31 December 2014
Income	65,216
Expenses	--
Net profit	65,216

* Not 10 Yatırım amaçlı gayrimenkuller

4. RELATED PARTY DISCLOSURES

4.1. Due from / to related parties

	31 December 2014	31 December 2013
Banks-Demand deposits		
Halkbank	424,071	6,265
Banks-Time deposits		
Halkbank	7,902,288	70,839,906
Banks -Other liquid assets		
Halkbank	331,560	67,960
Halk Yatırım	218	--
Bank Bonds-Financial investments		
Halkbank	34,841,163	67,321,529
Total	43,499,300	138,235,660
Prepaid expenses	192,728	411,617
Halk Sigorta AŞ	188,977	119,053
Halk Hayat ve Emeklilik AŞ	3,751	2,729
T.Halk Bankası Spor Kulübü	--	289,835
Other current assets	--	359
Halkbank	--	359
Capitalization of expenses on investment properties	42,668	--
Halk Sigorta AŞ	40,793	--
Halkbank	1,875	--
Total	235,396	411,976
Financial borrowings	31 December 2014	31 December 2013
Halkbank – short term	3,397,361	3,325,159
Halkbank – long term	13,340,555	15,212,501
Total	16,737,916	18,537,660
Due to related parties		
Halk Sigorta AŞ	126,242	100,383
Halk Portföy Yönetimi AŞ	--	11,593
Halk Yatırım Menkul Değerler AŞ	--	5,900
Total	126,242	117,876
Short term deferred income		
Halkbank	2,788,350	11,153,400
Total	2,788,350	11,153,400
Long term deferred income		
Halkbank	--	2,788,350
Total	--	2,788,350

4.2 Income and expenses from related parties

	1 January – 31 December 2014	1 January – 31 December 2013
Rent income		
Halkbank	27,563,353	26,317,524
Halk Faktoring A.Ş.	691,408	640,086
Halk Yatırım Menkul Değerler AŞ	40,372	178,318
Halk Hayat ve Emeklilik AŞ	79,499	85,374
Emekli Sandığı	--	73,853
Halk Sigorta AŞ	79,499	73,853
Total	28,454,131	27,369,008
Interest income		
Halkbank Vadeli Mevduat Faizi	6,725,438	7,746,041
Halkbank finansal yatırım faiz gelirleri	5,506,663	1,271,025
Halk Yatırım	--	--
Halkbank	--	--
Halk Yatırım Menkul Değerler AŞ	102,215	--
Total	12,334,316	9,017,066
Interest expense		
Halkbank	1,783,342	4,182,463
Total	1,783,342	4,182,463
	1 January – 31 December 2014	1 January – 31 December 2013
Commission expense		
Halk Portföy Yönetimi AŞ	106,967	113,987
Halk Yatırım Menkul Değerler AŞ	14,363	--
Total	121,330	113,987
Other expenses		
T.Halk Bankası Spor Kulübü	539,835	500,576
Halk Sigorta AŞ	149,006	148,716
Halkbank	169,899	17,205
Halk Yatırım Menkul Değerler AŞ	32,869	32,500
Halk Hayat ve Emeklilik AŞ	13,986	13,156
Halk Portföy Yönetimi AŞ	5,348	--
Total	910,943	712,153

For the years ended 31 December 2014 and 2013 47% of the revenue comprised the rent and interest income from the related parties.

For the years ended 31 December 2014 and 2013 interest income was generated from term deposits and interest expenses comprised at the interest expense on borrowings.

For the year ended 31 December 2014, total benefit which has been provided to Company's top executives is amounting to TL 857,816 (31 December 2013: TL 931,850).

5. CASH AND CASH EQUIVALENTS

As at 31 December 2014 and 31 December 2013, cash and cash equivalents are as follows:

	31 December 2014	31 December 2013
Banks-Time deposits	7,902,288	70,839,906
Reverse repo	424,195	6,465
Banks-Demand deposits	--	1,255,000
Other liquid assets(*)	331,778	67,960
Cash and cash equivalents in the statement of financial position	8,658,261	72,169,331
Interest income accruals on cash equivalents	--	(266,808)
Cash and cash equivalents in the statement of cash flows	8,658,261	71,902,523

(*) As at 31 December 2014 and 31 December 2013, other liquid assets consist of credit card receivables from sales of residential unit of Bakırköy Project and Eskişehir Project and investment account at Halk Yatırım.

As at 31 December 2014 and 31 December 2013, the details of time deposits at banks, bank bonds and reverse repo are as follows:

31 December 2014	Amount	Nominal Interest rate (%)	Maturity
Time Deposit			
TL	4,452,288	8.00	2 Ocak 2015
TL	2,500,000	8.25	8 Ocak 2015
TL	950,000	8.25	15 Ocak 2015
Total	7,902,288		
31 December 2013	Amount	Nominal Interest rate (%)	Maturity
Time Deposit			
TL	7,451,503	5.00-8.8	2 Ocak 2014
TL	7,266,945	8.85	9 Ocak 2014
TL	4,782,675	9.00 -9.15	16 Ocak 2014
TL	6,035,701	9.15-9.25	23 Ocak 2014
TL	2,202,339	9.70	28 Ocak 2014
TL	3,014,445	9.25	30 Ocak 2014
TL	37,134,459	9.70	3 Şubat 2014
TL	2,951,839	9.70	11 Şubat 2014
Reverse Repo (TL)	1,255,000	4.50-7.04	2 Ocak 2014
Total	72,094,906		

6. FINANCIAL INVESTMENTS

As at 31 December 2014 and 31 December 2013, the Company's all of the financial investments comprise of financial assets at fair value through profit or loss and available for sale financial assets, and held to maturity assets, the details of financial investments are as follows:

	Cost	Carrying amount	Maturity	Interest Rate (%)
31 December 2014				
Financial assets at fair value through profit or loss				
Lease Certificate	3,000,000	3,087,606	23 March 2015	9.95
Total	3,000,000	3,087,606		
Held-to-maturity financial assets				
Bank Bonds	34,816,162	34,841,163	5 June 2015	8.49
Total	34,816,162	34,841,163		
Total financial investments	37,816,162	37,928,769		

	Cost	Carrying amount	Maturity	Interest Rate (%)
31 December 2013				
Short term financial investments Available for sale financial assets				
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
Total	24,677,666	24,642,212		
Financial assets at fair value through profit or loss				
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
Equity Investments	1,273,830	988,873	--	--
Total	12,360,976	12,021,930		
Held-to-maturity financial assets				
Bank Bonds	67,321,216	67,321,529	20 June 2014	9.58
Bank Bonds	200,000	202,340	2 May 2014	8.34
Total	67,521,216	67,523,869		
Total short term financial investment	104,559,858	104,188,011		
Total financial investments	104,559,858	104,188,011		

7. TRADE RECEIVABLES AND TRADE PAYABLES

Trade receivables

The Company's short term trade receivables consist of notes receivable from sale of residential units at Bakırköy Project and Panorama Plus Eskişehir amounting to TL 8,781,572 and TL 3,198,840 and other receivables amounting to TL 3,806. (31 December 2013: TL 12,069,703)

The Company's long-term trade receivables consist of notes receivable from sale of residential units at Bakırköy Project amounting to TL 317,535. (31 December 2013: TL 2,504,285)

Trade payables

As at 31 December 2014 and 31 December 2013, trade payables are as follows:

Short term trade payables	31 December 2014	31 December 2013
Trade payables to related parties (Note 4)	126,242	117,876
Other trade payables	480,319	2,264,030
Total	606,561	2,381,906

8. INVENTORIES

As at 31 December 2014 and 31 December 2013, inventories are as follows:

Arsa stokları	31 December 2013 Coast	Addition	Disposal	31 December 2014 Coast
İstanbul Bakırköy Land Residence Project ⁽¹⁾	31,765,625	--	(11,011,823)	20,753,802
Eskişehir- Odunpazarı Land Residence Project ⁽²⁾	13,203,845	13,029,577	--	26,233,422
Sancaktepe Residence Project ⁽³⁾	--	56,103,513	--	56,103,513
Total	44,969,470	69,133,090	(11,011,823)	103,090,737

(1) The Company has arranged a bid to develop a project on Bakırköy Land as Land Sale of Revenue Sharing Agreement (LSRSA) and as a consequence signed a contract with a firm on 17 February 2012. Due to the agreement, the contractor is obliged to finish construction on 19 February 2014. The residential units will be delivered to the customers on June 2014. As at 31 December 2014, 92 independent unit was sold amounting to TL 40,356,205 and cost of sales relating to these sales is amounting to TL 11,011,823.

There are restrictions on the 92 residential units which are signed sales agreements under loan agreements of different financing institutions amounting to TL 37,364,900 (31 December 2013: TL 26,247,025) 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.

Referans Bakırköy Project plans which first construction permission was obtained as at 31 May 2012 and still under construction have been modified to provide 254 residential and 73 commercial units, as opposed to prior 256 residential and 70 commercial units and the modification permission of the revised project has been approved by relevant authorities as at 19 September 2013. As at 31 December 2014 the deed transfer process of 92 independent units has been completed.

(2) Eskişehir Odunpazarı Land is registered to Odunpazarı/Eskişehir neighbourhood with 1452 block 89 plot and 90 plot. It has place 13,073 m2. 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 m2 registered as 9,811 m2. After entrusting, description of the plot has changed to land from factory building. The deeds of floor easement of 97 residential and 5 commercial units were taken as of 30.12.2014

(3) As at 16 October 2014, land in Sancaktepe/İstanbul was purchased amounting to TL 110,000,000 (Company share: TL 56,103,513) by Halk GYO-Vakıf GYO Adi Ortaklığı for real estate project. As at 31 December 2014, the project has not been started yet.

There is no restriction on the land stock. It was decided to develop residential project on the land.

9. DEFERRED INCOME

As at 31 December 2014 and 31 December 2013, the details of long and short term deferred income are as follow:

	31 December 2014	31 December 2013
Deferred residential sale income (1)	55,814,040	66,047,643
Advances taken from subcontractors (2)	18,200,000	18,200,000
Deferred rental income (3)	2,788,350	11,153,400
Total short term deferred income	76,802,390	95,401,043
Deferred rental income (3)	--	2,788,350
Total long term deferred income	--	2,788,350
Total deferred income	76,802,390	98,189,393

(1) Deferred residential unit sale income consist of TL 42,210,252 provided by sales of residences from LSRSA project realized on an estate located in Bakirkoy and TL 13,603,788 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 2014, TL 135,745,492 sale is actualized and payment was made to subcontractor at amount progress portion. Referans Bakırköy Project consists of 254 residential and 73 commercial units. As at 31 December 2014, 224 unit has been sold amounting to TL 161.6 Million and conveyance of title has been completed for 92 residential unit amounting to TL 79.9 Million.

(2) The advances taken amount related with the project of "Land Sale of Revenue Sharing Agreement" on Bakırköy land.

(3) The related advance amount belongs to rent income of Ataşehir Finans Plaza rented by Halkbank. It consists short term deferred rent income amounting TL 2,788,350 (31 December 2013: TL 11,153,400-short term and TL 2,788,350-long term).

10. INVESTMENT PROPERTY

As at 31 December 2014 and 31 December 2013, the details of investment property are as follow:

	31 Aralık 2014	31 Aralık 2013
Buildings	324,780,865	325,941,485
Investment property under construction	388,750,496	289,804,038
Total	713,531,361	615,745,523

Insurance amount on investment properties as at 31 December 2014 is TL 172,707,567 (31 December 2013: TL 138,161,400).

As at 31 December 2014, investment property movement is as follows:

Investment property	31 December 2013 Coast	Addition	Disposal	31 December 2014 Coast	Amortisation as at 31 December 2013	Addition	Disposal	Depreciation as at 31 December 2014	Net Book Value as at 30 December 2014
İstanbul Karaköy Building	23,500,000	--	--	23,500,000	121,984	38,383	--	160,367	23,339,633
İstanbul Salıpaazarı Building	22,000,000	--	--	22,000,000	219,411	69,039	--	288,450	21,711,550
İzmir Konak Building -1	13,400,000	--	--	13,400,000	204,324	64,682	--	269,006	13,130,994
Ankara Kızılay Building	12,475,237	--	--	12,475,237	101,650	31,985	--	133,635	12,341,602
İstanbul Beyoğlu Building	12,000,000	--	--	12,000,000	42,328	13,319	--	55,647	11,944,353
İstanbul Beşiktaş Building	11,893,840	--	--	11,893,840	55,893	17,587	--	73,480	11,820,360
İstanbul Etiler Building	11,000,000	--	--	11,000,000	38,843	12,222	--	51,065	10,948,935
İstanbul Şişli Building	11,000,000	--	--	11,000,000	121,384	38,194	--	159,578	10,840,422
İzmir Konak Building - 2	10,290,000	--	--	10,290,000	86,530	27,392	--	113,922	10,176,078
Ankara Başkent Building	9,541,729	--	--	9,541,729	61,861	19,465	--	81,326	9,460,403
İstanbul Bakırköy Building	9,023,500	--	--	9,023,500	59,354	18,676	--	78,030	8,945,470
Bursa Building	8,500,000	--	--	8,500,000	70,722	22,241	--	92,963	8,407,037
Ankara Bahçelievler Building 1	6,681,356	--	--	6,681,356	91,690	28,863	--	120,553	6,560,803
Kocaeli Building	6,519,193	--	--	6,519,193	43,343	13,721	--	57,064	6,462,129
İstanbul Fatih Building	6,380,000	--	--	6,380,000	73,732	23,200	--	96,932	6,283,068
İstanbul Caddebostan Building	6,300,000	--	--	6,300,000	205,592	65,083	--	270,675	6,029,325
Sakarya Adapazarı Building	5,960,000	--	--	5,960,000	46,613	14,667	--	61,280	5,898,720
Ankara Bahçelievler Building 2	5,684,746	--	--	5,684,746	30,368	9,555	--	39,923	5,644,823
İstanbul Ataköy Building	5,061,500	--	--	5,061,500	58,532	18,405	--	76,937	4,984,563
İstanbul Nişantaşı Building	5,000,000	--	--	5,000,000	21,182	6,705	--	27,887	4,972,113
Ataşehir Finans Plaza	126,548,795	--	--	126,548,795	1,063,075	607,236	--	1,670,311	124,878,484
Buildings total	328,759,896	--	--	328,759,896	2,818,411	1,160,620	--	3,979,031	324,780,865
Levent Hotel Project (a)	38,045,288	25,611,084	--	63,656,372	--	--	--	--	63,656,372
İstanbul Ataşehir Land (c)	239,427,053	22,278,469	--	261,705,522	--	--	--	--	261,705,522
Kocaeli Şekerpınar Land (b)	12,331,697	51,056,905	--	63,388,602	--	--	--	--	63,388,602
Total investment property under construction	289,804,038	98,946,458	--	388,750,496	--	--	--	--	388,750,496
Total	618,563,934	98,946,458	--	717,510,392	2,818,411	1,160,620	--	3,979,031	713,531,361

(a) Due to Otel Project on Levent Land, construction expenses amounting to TL 24,555,246 , project management expenses amounting to TL , 497,488 agreement stamp tax and amounting to TL 514,550 and other expenses amounting to TL 43,800 are capitalized on the cost of land.

(b) Due to planned banking base on Kocaeli Şekerpınar Land, architectural and engineering expenses amounting to TL 50,178,066 ,agreement stamp tax and other duties amounting to and other expenses amounting to TL 12,442 are capitalized on the cost of land.

(c) Due to İstanbul Ataşehir Land Project, architectural and engineering expenses amounting to TL 3,141,800 , agreement stamp tax and other duties (fees of construction permit) amounting to TL 18,178,573, project management expenses amounting to TL 945,465 and other project management expenses amounting to TL 12,631 are capitalized on the cost of land.

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

Investment property	31 December 2012 Coast	Addition	Disposal	31 December 2013 Coast	Amortisation as at 31 December 2013	Addition	Disposal	Amortisation as at 31 December 2013	Net Book Value as at 30 December 2014
İstanbul Karaköy Building	23,500,000	--	--	23,500,000	83,601	38,383	--	121,984	23,378,016
İstanbul Salıpazarı 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
İstanbul Beyoğlu Building	12,000,000	--	--	12,000,000	29,009	13,319	--	42,328	11,957,672
İstanbul Beşiktaş Building	11,893,840	--	--	11,893,840	38,306	17,587	--	55,893	11,837,947
İstanbul Etiler Building	11,000,000	--	--	11,000,000	26,621	12,222	--	38,843	10,961,157
İstanbul 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
İstanbul 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	--	--	--
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
İstanbul Fatih Building	6,380,000	--	--	6,380,000	50,532	23,200	--	73,732	6,306,268
İstanbul 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
İstanbul Ataköy Building	5,061,500	--	--	5,061,500	40,127	18,405	--	58,532	5,002,968
İstanbul 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
Buildings total	337,184,896	--	(8,425,000)	328,759,896	1,688,184	1,174,006	--	2,818,411	325,941,485
Levent Hotel Project (c)	28,155,949	9,889,339	--	38,045,288	--	--	--	--	38,045,288
İstanbul Ataşehir Land (b)	233,032,598	6,394,455	--	239,427,053	--	--	--	--	239,427,053
Eskişehir- Odunpazarı Land (d)	5,318,788	--	(5,318,788)	--	--	--	--	--	--
Kocaeli Şekerpınar Land (a)	9,996,331	2,335,366	--	12,331,697	--	--	--	--	12,331,697
Total investment property	276,503,666	18,619,160	(5,318,788)	289,804,038	--	--	--	--	289,804,038
Total	613,688,562	18,619,160	(13,743,788)	618,563,934	1,688,184	1,174,006	--	2,818,411	615,745,523

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

(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 İstanbul Ataşehir 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.

As at 31 December 2014 and 31 December 2013, net book values and fair values of investment properties are as follows:

Investment property	31 December 2014		31 December 2013	
	Net book value	Fair value	Net book value	Fair value
İstanbul Karaköy Building	23,339,633	28,500,000	23,378,016	26,600,000
İstanbul Salıpazarı Building	21,711,550	43,400,000	21,780,589	39,530,000
İzmir Konak Building 1	13,130,994	18,530,000	13,195,676	16,845,000
Ankara Kızılay Building	12,341,602	17,675,000	12,373,587	16,497,936
İstanbul Beyoğlu Building	11,944,353	19,270,000	11,957,672	17,000,000
İstanbul Beşiktaş Building	11,820,360	15,114,000	11,837,947	14,000,000
İstanbul Etiler Building	10,948,935	14,575,000	10,961,157	13,500,000
İstanbul Şişli Building	10,840,422	13,000,000	10,878,616	12,500,000
İzmir Konak Building 2	10,176,078	12,600,000	10,203,470	12,000,000
Ankara Başkent Building	9,460,403	13,224,000	9,479,868	12,673,000
İstanbul Bakırköy Binası	8,945,470	19,602,000	8,964,146	17,820,000
Bursa Building	8,407,037	10,865,000	8,429,278	9,510,000
Ankara Bahçelievler Building 1	6,560,803	9,077,500	6,589,666	8,778,000
Kocaeli Building	6,462,129	8,567,000	6,475,850	8,215,000
İstanbul Fatih Building	6,283,068	9,050,000	6,306,268	8,380,000
İstanbul Caddebostan Building	6,029,325	7,165,000	6,094,408	6,880,000
Sakarya Adapazarı Building	5,898,720	8,212,050	5,913,387	7,593,300
Ankara Bahçelievler Building 2	5,644,823	7,735,000	5,654,378	7,400,000
İstanbul Ataköy Building	4,984,563	10,290,000	5,002,968	9,500,000
İstanbul Nişantaşı Building	4,972,113	7,475,000	4,978,818	6,920,000
Ataşehir Finans Plaza	124,878,484	167,471,005	125,485,720	166,230,000
Buildings Total	324,780,865	461,397,555	325,941,485	438,372,236
Levent Hotel Project	63,656,372	108,160,115	38,045,288	60,460,620
İstanbul Ataşehir Land	261,705,522	574,633,400	239,427,053	517,170,060
Kocaeli Şekerpınar Land	63,388,602	72,197,400	12,331,697	14,869,400
Total investment property under construction	388,750,496	754,990,915	289,804,038	592,500,080
Total	713,531,361	1,216,388,470	615,745,523	1,030,872,316

INVESTMENT PROPERTY Buildings

Istanbul Karaköy Building

Istanbul Karaköy Building is registered to Beyoğlu/Istanbul Müeyyetzade neighbourhood with 102 city block and 3rd plot. It is a massive block office building with a place of 583 m2.

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 28,500,000 according to market value approach based on the report dated 9 December 2014 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 1,902,878 of rental income for the period started 1 January 2014 and ended 31 December 2014.

İstanbul Salıpazarı Building

Istanbul Salıpazarı Building is registered to Beyoğlu/Istanbul Kılıçalı neighbourhood with 57 city block and 14th plot. It is a 1,196 m2 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 Salıpazarı Building has been determined as TL 39,530,000 according to market value approach based on the report dated 9 December 2014 TL 43,400,000 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 1,870,513 of rental income for the period started 1 January 2014 and ended 31 December 2014. The rent relation has ended up with Eco Trade at 31 January 2014 and cancelled the additional rent agreement with Halkbank at 1 September 2014.

İzmir Konak Building -1

Izmir Konak Corporate Building is registered to Konak/İzmir Akdeniz neighbourhood with 971 city block and 17rd plot. It is a massive block bank building with a place of 739 m2. 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 2 November 2010 by Halkbank. The fair value of Konak Corporate Building has been determined as TL 18,530,000 according to market value approach based on the report dated 9 December 2014 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 1,150,896 of rental income for the period started 1 January 2014 and ended 31 December 2014

Ankara Kızılay Building

Ankara Kızılay Building is registered to Çankaya/Ankara Cumhuriyet neighbourhood with 1064 city block and 14th plot. It is a massive block apartment with a place of 272 m2.

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 17,675,000 according to market value approach based on the report dated 12 December 2014 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 1,167,645 of rental income for the period started 1 January 2014 and ended 31 December 2014. The rent relation has ended up with Halk Yatırım as at 31 May 2014.

İstanbul Beyoğlu Building

Istanbul Beyoğlu Building is registered to Beyoğlu/Istanbul Hüseyinağa neighbourhood with 338 city block and 8th plot. It is a massive office block with a place of 195 m2.

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 19,270,000 according to market value approach based on the report dated 9 December 2014 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property.

The Company rented 2nd, 3rd, 4th, 5th and 6th floors of this property to Turkish Treasury and other divisions to Halkbank. The Company earned TL 1,233,705 of rental income for the period started 1 January 2014 and ended 31 December 2014.

İstanbul Beşiktaş Building

Istanbul Beşiktaş Building is registered to Beşiktaş/İstanbul Sinanpaşa neighbourhood with 291 city block and 93rd plot. It is a massive block office building with a place of 267 m2.

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 27 October 2010 by Halkbank. The fair value of Beşiktaş Building has been determined as TL 15,114,000 according to market value approach based on the report dated 9 December 2014 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented 2nd and 3rd floors to Pension Fund and other floors of this property to Halkbank. The Company earned TL 1,059,914 of rental income for the period started 1 January 2014 and ended 31 December 2014

İstanbul Etiler Building

İstanbul Etiler Building is registered to Beşiktaş/İstanbul 1st Region with 578 city block and 3rd plot. It is a massive house with a place of 617 m2.

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 27 October 2010 by Halkbank. The fair value of Etiler Building has been determined as TL 14,575,000 according to market value approach based on the report dated 9 December 2014 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 908,602 of rental income for the period started 1 January 2014 and ended 31 December 2014.

İstanbul Şişli Building

İstanbul Şişli Building is registered to Şişli/İstanbul Meşrutiyet neighbourhood with, 129 plate, 954 city block and 62nd plot. It is a massive block apartment with a place of 200 m2.

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 2 November 2010 by Halkbank. The fair value of Şişli Building has been determined as TL 13,000,000 according to market value approach based on the report dated 9 December 2014 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 908,602 of rental income for the period started 1 January 2014 and ended 31 December 2014.

İzmir Konak Building - 2

İzmir Konak Building is registered to Konak/İzmir Akdeniz neighbourhood with 2802 city block and 15rd plot. It is a massive block bank building with a place of 616 m2.

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 2 November 2010 by Halkbank. The fair value of Konak Building has been determined as TL 12,600,000 according to market value approach based on the report dated 9 December 2014 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented 180 m2 of ground floor and 400 m2 of first floor to Halk Sigorta AŞ ("Halk Sigorta"), 171 m2 of first floor to Halk Yatırım and other divisions to Halkbank. The Company earned TL 807,739 of rental income for the period started 1 January 2014 and ended 31 December 2014.

Ankara Başkent Building

Ankara Başkent Building and Service Building is registered to Çankaya/Ankara Cumhuriyet neighbourhood with 1046 city block and 27th plot. It is a massive block apartment with a place of 205 m2.

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 13,224,000 according to market value approach based on the report dated 25 December 2014 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company has rented this property to Halkbank. The Company earned TL 979,840 of rental income for the period started 1 January 2014 and ended 31 December 2014.

İstanbul Bakırköy Building

İstanbul Bakırköy Building is registered to Bakırköy/İstanbul Zeytinlik neighbourhood with 101 city block and 29th plot. It is an eight-storey massive block apartment with a place of 213 m2.

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 9 December 2014 dated report of a real estate valuation firm was licensed by CMB, the fair value of Bakırköy Building has been determined as TL 19,602,000 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 1,135,753 of rental income for the period started 1 January 2014 and ended 31 December 2014.

Bursa Building

Bursa Building is registered to Osmangazi/Bursa Kayıhan neighbourhood with 4306 city block and 1st plot. It is a seven-storey massive block apartment with a place of 306 m2.

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 10,865,000 according to market value approach based on the report dated 9 December 2014 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 711,738 of rental income for the period started 1 January 2014 and ended 31 December 2014.

Ankara Bahçelievler Building- 1

Ankara Bahçelievler Building-1 is registered to Çankaya/Ankara Yukarı Bahçelievler neighbourhood with 2758 city block and 29th plot. It is a five-storey massive block apartment with a place of 612 m2.

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 9,077,500 according to market value approach based on the report dated 11 December 2014 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 620,878 of rental income for the period started 1 January 2014 and ended 31 December 2014

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 m2.

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 8,567,000 according to market value approach based on the report dated 9 December 2014 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 757,169 of rental income for the period started 1 January 2014 and ended 31 December 2014

İstanbul Fatih Building

İstanbul Commercial Building is registered to Fatih/İstanbul Hobyar neighbourhood with 418 city block and 2nd plot. It is a massive block bank building with a place of 208 m2.

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 9,050,000 according to market value approach based on the report dated 9 December 2014 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 499,731 of rental income for the period started 1 January 2014 and ended 31 December 2014.

İstanbul Caddebostan Building

İstanbul Caddebostan Building is registered to Kadıköy/İstanbul Erenköy neighbourhood with 368 city block and 25th plot. It is a massive block apartment with a garden with a place of 902 m2.

Yatırım amaçlı gayrimenkulün değeri Ticaret Mahkemesi tarafından atanan bilirkişilerin düzenlediği 11 Ocak 2010 tarihli rapora göre 6,300,000 TL olarak belirlenmiş ve Halkbank tarafından aynı sermaye olarak Şirket'e 3 Kasım 2010 tarihinde devrolmuştur. SPK The value of the investment property has been determined as TL 6,300,000 according to the report dated 11 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 3 November 2010 by Halkbank. The fair value of Caddebostan Building has been determined as TL 7,165,000 according to market value approach based on the report dated 9 December 2014 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 530,018 of rental income for the period started 1 January 2014 and ended 31 December 2014

Sakarya Adapazarı Building

Sakarya Adapazarı Building is registered to Adapazarı/Sakarya Cumhuriyet neighbourhood with 130 city block and 167th plot. It is a land with a place of 3,000 m2.

The value of the investment property has been determined as TL 5,960,000 according to the report dated 11 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 Adapazarı Building has been determined as TL 8,212,050 according to market value approach based on the report dated 11 December 2014 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 682,905 of rental income for the period started 1 January 2014 and ended 31 December 2014

Ankara Bahçelievler Building - 2

Ankara Bahçelievler Building -2 is registered to Çankaya/Ankara Yukarı Bahçelievler neighbourhood with 2763 city block and 10th plot. It is a stone apartment with a place of 610 m2.

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 7,735,000 according to market value approach based on the report dated 9 December 2014 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 573,070 of rental income for the period started 1 January 2014 and ended 31 December 2014.

İstanbul Ataköy Building

İstanbul Ataköy Building is registered to Bakırköy/İstanbul Kartaltepe neighbourhood with 115 city block and 174th plot. It is a massive block bank building with a place of 515 m2.

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 10,290,000 according to market value approach based on the report dated 9 December 2014 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 651,165 of rental income for the period started 1 January 2014 and ended 31 December 2014

İstanbul Nişantaşı Building

İstanbul Nişantaşı Building is registered to Şişli/İstanbul Halaskargazi neighbourhood with 680 city block and 14th plot. It is an eight-storey massive apartment with a restaurant with a place of 221.50 m2. 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 2 November 2010 by Halkbank. The fair value of Nişantaşı Building has been determined as TL 7,475,000 according to market value approach based on the report dated 9 December 2014 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 454,301 of rental income for the period started 1 January 2014 and ended 31 December 2014.

Ataşehir Finans Plaza

Ataşehir Finans Plaza is registered to Ataşehir/Küçükbakkalköy neighbourhood with 3332 city block and 24th plot. It is a land with a place of 7,995 m2. 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 included 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 13).

The fair value of Ataşehir Finans Plaza has been determined as TL 167,471,005 according to market value approach based on the report dated 26 December 2014 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 2014 and ended 31 December 2014

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 m2. The value of investment property has been determined as TL 25,799,000 according to the report dated 22 February 2010 by the experts assigned by Commercial Court and transferred to the Company as capital in kind on 3 November 2010 by Halkbank.

The fair value of Ataşehir Finans Plaza has been determined as TL 108,160,115 according to market value approach based on the report dated 11 December 2014 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 AŞ.

The Company has recognized TL 200,000 of advertising income from the related investment property for the period started 1 January 2014 and ended 31 December 2014

Ataşehir Land

Ataşehir Land is registered to Ümraniye/İstanbul Küçükbakkalköy neighbourhood with 3323 city block and 3rd plot. It has a place of 57,462 m2. 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 574,633,400 according to market value approach based on the report dated 9 December 2014 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company applied for construction permit as at 31 December 2014.

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 3rd plot of the Company has revised at the new partition plan of the Project and new land is registered as 3328 block 4th plot and 3328 block 11th plot. Plots have surface area of 16,337 m2 and 12,395 m2, 135,835 m2 and 250,173 m2 constructions areas respectively as 3328 block 4th plot and 11th plot are parceled from previous 3323 block 3rd plot and total construction area of the Company on the Land is protected during the partition.

Kocaeli Şekerpınar Land

Kocaeli Şekerpınar Land is registered to Şekerpınar/Kocaeli neighbourhood with 420 block and 26 plot. It has place 15,652 m2.

The fair value of the investment property has been determined as TL 72,197,400 according to market value approach based on the report dated 22 October 2014 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 permit is received for the first and second zone as at 28 August 2013 and 28 March 2014, respectively.

Operating leases

The Company has signed operating lease agreements with HalkBank, Halk Yatırım, Koton, Halk Sigorta, Pension Fund, Turkish Treasury, Halk Faktoring, and Ceda Akaryakıt Turizm as lessor. The future minimum lease payments as at 31 December 2014 and 31 December 2013 under non-cancellable leases are as follows:

	31 December 2014	31 December 2013
Less than one year	25,573,539	31,729,600
Between one and five years	6,823,785	38,360,997
More than five years	575,785	1,106,227
Total	32,973,077	71,196,824

11. TANGIBLE ASSETS

Movement schedule of tangible assets for the period from 1 January 2014 to 31 December 2014 are as follows:

	1 January 2014	Additions	Disposals	31 December 2014
Cost				
Furniture and fixtures	816,873	304,397	(1,857)	1,119,413
Leasehold improvements	659,382	1,945	--	661,327
	1,476,255	306,342	(1,857)	1,780,740
Accumulated depreciation				
Furniture and fixtures	(170,155)	(215,484)	636	(385,003)
Leasehold improvements	(208,640)	(271,702)	--	(480,342)
	(378,795)	(487,186)	636	(865,345)
	1,097,460	(180,844)	(1,221)	915,395

For the year ended 31 December 2014 tangible assets amounting TL 306,342 were acquired. As at 31 December 2014, total insurance on tangible assets amounting TL 1,090,000.

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
Cost				
Furniture and fixtures	593,102	223,771	--	816,873
Leasehold improvements	414,511	244,871	--	659,382
	1,007,613	468,642	--	1,476,255
Birikmiş amortisman				
Furniture and fixtures	(42,691)	(127,464)	--	(170,155)
Leasehold improvements	(20,826)	(187,814)	--	(208,640)
	(63,517)	(315,278)	--	(378,795)
	944,096	153,364		1,097,460

12. INTANGIBLE ASSETS

Movement schedule of intangible assets for the period from 1 January 2014 to 31 December 2014 are as follows:

	1 January 2014	Additions	Disposals	31 December 2014
Cost				
Other intangible assets	227,361	489,317	--	716,678
	227,361	489,317	--	716,678
Accumulated depreciation				
Other intangible assets	(3,862)	(8,883)	--	(12,745)
	(3,862)	(8,883)	--	(12,745)
	223,499	480,434	--	703,933

For the year ended 31 December 2014 intangible assets amounting TL 489,317 were acquired. As at 31 December 2014, there is no insurance on 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
Cost				
Intangible assets	13,589	213,772	--	227,361
	13,589	213,772	--	227,361
Accumulated depreciation				
Intangible assets	(634)	(3,228)	--	(3,862)
	(634)	(3,228)	--	(3,862)
	12,955	210,544	--	223,499

13. LOANS AND BORROWINGS

As at 31 December 2014 and 31 December 2013, financial borrowings are as follows:

	31 December 2014	31 December 2013
Short-term financial liabilities:		
Short-term portion of long-term borrowings	3,397,361	3,325,159
Total short-term borrowings	3,397,361	3,325,159
Long-term borrowings:		
Long-term bank loans	13,340,555	15,212,501
Total long-term liabilities	13,340,555	15,212,501
Total financial liabilities	16,737,916	18,537,660

Financial debt repayment schedule is as follows:

	31 December 2014	31 December 2013
Less than 1 year	3,397,361	3,325,159
1–2 between years	3,073,017	3,029,916
2–3 between years	2,779,488	2,761,562
3–4 between years	2,514,646	2,517,581
4–5 between years	2,274,931	2,296,453
More than 5 years	2,698,473	4,606,989
Total	16,737,916	18,537,660

31 December 2014

Currency	Nominal interest rate (%)	Maturity	Short-Term	Long-Term
TL ⁽¹⁾	8	2021	3,397,361	13,340,555
Total			3,397,361	13,340,555

31 Aralık 2013

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

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



14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2014, The Company is subject of two law suit still ongoing against the Company. Labor lawsuit which has been filed against the Company. 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 2014 and 31 December 2013 commitments given are as follows:

	31 December 2014		31 December 2013	
	Original Amount	Book Value	Original Amount	Book Value
A. Commitments given in the name of own legal entity(1)	150,849,009	150,849,009	150,230,465	150,230,465
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	--	--	--	--
Total	150,849,009	150,849,009	150,230,465	150,230,465

(a) The mortgages have been given to Halkbank related to loan used for the Ataşehir Finans Plaza amounting to TL 150,000,000 (31 December 2013: TL 150,000,000) (Although loan agreement has been closed, 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 263,811 (31 December 2013: TL 223,715), guarantee letter given for electricity supply commitment of Eskişehir Project amounting to TL 6,750 and guarantee letter given for Kocaeli project amounting to TL 578,447 (31 December 2013: nil).

As at 31 December 2014 and 31 December 2013, the details of letter of guarantees are presented below:

	31 December 2014	31 December 2013
Haldız İnşaat Otomotiv ve Tic Ltd.Şti(**)	13,635,000	13,680,000
K Yapı Gayrimenkul Geliştirme İnş. San. Ve Dış Tic. A.Ş. (*)	9,913,239	9,913,239
ERICSSON Telekomünikasyon A.Ş. (*)	9,245,910	--
Biskon Yapı AŞ (**)	8,960,400	8,960,400
Dedeman Turizm Yönetimi AŞ (**)	5,641,400	5,873,000
İlgazlar İnşaat Tic. Ve San. AŞ(*****)	5,189,392	4,800,000
SEYAŞ SEY Mimarlık Mühendislik Müşavirlik A.Ş. (****)	3,950,000	3,950,000
Borusan Makine ve Güç Sistemleri San.ve Tic. A.Ş. (*)	717,586	--
ENTEGRE PROJE YÖNETİM DAN.MÜH.TİC. A.Ş.	569,000	--
Koton Mağazacılık Teskstil San ve Tic AŞ (****)	300,000	300,000
Megapol Mühendislik Tic. AŞ (*)	243,000	1,188,000
Proplan Proje Yönetim AŞ(****)	124,181	480,000
NYS Proje Danışmanlık İnşaat San Tic Ltd Şti (**)	--	1,157,600
Other	310,618	705,339
Total	58,799,726	51,007,578

(*) The Company has received letter of guarantee from the suppliers for architectural and construction activities banking operations center project that being built on Kocaeli Şekerpinar Land.

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

(***) The Company has received letter of guarantee from the contractor Biskon Yapı AŞ for the "Land Sale of Revenue Sharing" project.

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

(*****) İlgazlar İnşaat is contractor company of Eskişehir Panorama Project.

15. EMPLOYEE BENEFITS

As at 31 December 2014 and 31 December 2013, the details of employee benefits are presented below:

Long-term liabilities	31 December 2014	31 December 2013
Provision for employee benefits	130,142	49,390
Total	130,142	49,390

Short-term liabilities	31 December 2014	31 December 2013
Vacation pay liability	184,088	135,894
Employee premium provision	492,513	376,544
Total	676,601	512,438

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 2014 and 31 June 2013:

	31 December 2014	31 December 2013
Discount rate	%2.83	%3.20
Expected salary/limit increase rate	%6.00	%6.40
Estimated retirement turnover rate	%96	%95

As at 31 December 2014 and 31 December 2013, the movement of provision for employee benefits are presented below:

	31 December 2014	31 December 2013
Balance at the beginning	49,390	27,881
Interest Cost	4,840	2,565
Service Cost	61,333	24,762
Payments	(5,081)	(9,210)
Actuary difference	19,660	3,392
Balance at the end of period	130,142	49,390

16. PREPAID EXPENSES, OTHER CURRENT, NON-CURRENT ASSETS

Prepaid Expenses

As at 31 December 2014 and 31 December 2013, the details of prepaid expenses are presented below:

	31 December 2014	31 December 2013
Prepaid insurance expenses	192,728	121,782
Prepaid advertising and promotion expenses	12,563	--
Prepaid sponsorship expenses	--	289,835
Other	39,621	30,103
Total short term prepaid expenses	244,912	441,720
Investment advances (*)	19,604,382	20,818,198
Other	12,459	--
Total long term prepaid expenses	19,616,841	20,818,198
Total prepaid expenses	19,861,753	21,259,918

(*) As at 31 December 2014, advances given consist of followings, due to the planned banking base Project on Kocaeli Şekerpinar Land, advance amounting TL 9,539,007 (31 December 2013: TL 6,228,653) is given to the contractor architecture and engineering company, due to the Dedeman Otel Project advance amounting TL 5,394,588 (31 December 2013: TL 8,940,182) is given to the contractor architecture and engineering company, due to the

IFM Project advance amounting TL 1,868,291 (31 December 2013: TL 2,396,512) is given to the contractor architecture and project administration firms, due to the Eskişehir Project advance amounting TL 2,802,496 (31 December 2013: TL 3,252,851) is given to the contractor architecture and project administration firms.

Other current assets

As at 31 December 2014 and 31 December 2013, the details of other current assets are presented below:

	31 December 2014	31 December 2013
Deferred value added tax ("VAT")	19,897,516	--
Deposits and guarantees given	35,140	160,683
Advances given	7,357	10,769
Deductable VAT	--	--
Other	478,695	552,943
Total	20,418,708	724,395

Other non-current assets

As at 31 December 2014 VAT receivable (31 December 2013: TL 14,036,831) due to beginning of sales in Bakırköy Project, the balance is reclassified to "other current-assets" from "other non-current asset".

	31 December 2014	31 December 2013
Deferred value added tax ("VAT")	9,901,360	14,036,831
Total	9,901,360	14,036,831

As at 31 December 2014, VAT receivable amounting to TL 9,901,360 caused by purchasing Sancaktepe land of Halk GYO-Vakıf GYO Adi Ortaklığı is classified to "other non-current assets".

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid in capital

As at 31 December 2014 and 31 December 2013, the issued and fully paid in capital of the Company is as follows:

	Group	31 December 2014		31 December 2013	
		Share %	Amount	Share %	Amount
Halkbank	A	1.58	11,027,324	1.50	10,135,571
Halkbank	B	70.38	491,197,355	70.38	474,121,698
Halk Yatırım	A	0.04	263,358	0.04	254,203
Halk Sigorta	A	0.00	--	0.04	254,203
Halk Hayat Sigorta AŞ	A	0.00	--	0.04	254,203
Halk Finansal Kiralama AŞ	A	<0.01	1	<0.01	1
Publicly held (*)	B	28.00	195,411,962	28.00	188,618,825
Paid in capital		100.00	697,900,000	100.00	673,638,704

(*) Halkbank has 42.620.098 B group shares with the share rate of 6.11 on publicly held (31 December 2013: 41.138.487).

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.

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 697,900,000 and had been portioned to 697,900,000 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 at 13-15 February 2013.

As at 20 June 2013 the Company hold increased its share capital by TL 11,138,704 from retained earnings.

As at 5 June 2014 the Company hold increased its share capital by TL 24,261,296 from retained earnings.

Own shares acquired

The Company's own shares acquired, accounted at their costs. The Company has the 19,675,318 unit with the same cost (31 December 2013: 18,991,341 unit).

As at 31 December 2014 The Company's own shares acquired detail as follows:

Transaction	Transaction Date	Notional Amount	Weighted average share price	Transaction amount
Repurchase share	26 Şubat 2013	933,649	1.34	1,251,090
Repurchase share	27 Şubat 2013	736,571	1.34	987,004
Repurchase share	28 Şubat 2013	1,000,000	1.34	1,340,000
Repurchase share	1 Mart 2013	2,297,269	1.32	3,021,922
Repurchase share	5 Mart 2013	3,455,130	1.33	4,608,678
Repurchase share	11 Mart 2013	457,867	1.32	604,384
Repurchase share	12 Mart 2013	586,245	1.32	773,843
Repurchase share	15 Mart 2013	2,000,000	1.32	2,640,000
Repurchase share	21 Mart 2013	7,210,586	1.33	9,582,612
Bonus shares	20 Haziran 2013	314,024	0.00	--
Bonus shares	5 Haziran 2014	683,977	0.00	--
Total Own Shares Acquired		19,675,318	1.26	24,809,533

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.

of 5% until the total reserve reaches a maximum of 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's paid-in capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital but may be used to absorb losses in the event that the general reserve is exhausted.

In accordance with the Turkish Commercial Code, company has to appropriate restricted reserve equivalent of acquisition amount of the company's own shares acquired. The reserve for the company's own shares may be written back in the amount of any sold or destroyed shares valued at cost.

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

The Company has classified transaction amount of own shares acquired to restricted reserves on 10 April 2014 which was equivalent of 18,677,317 shares ,amount of TL 24,809,533 in 2013.

reserves amounting to TL 1,479,363. Since the Company has written back its own shares in the amount of TL 84,077, net amount of dividend distributed to the shareholders is amounting to TL 2,922,142.

As at 31 December 2014, The Company's restricted reserves are legal reserves and amounting to TL 28,363,063 (31 December 2013: TL 2,074,167).

Dividend

At 15 April 2014, the Company has decided to distributed dividends to the shareholders amounting to TL 3,006,912 and classify restricted

18. REVENUE AND COST OF SALES

For the years ended 31 December 2014 and 31 December 2013, revenue is as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Income from sales of residence	40,356,205	18,000,000
Rent Income	29,962,463	28,954,220
Total property income	70,318,668	46,954,220
Interest income on deposits	6,340,887	7,889,972
Interest income from held to maturity financial assets	1,746,938	2,696,379
Interest income from financial assets available for sale	5,452,279	31,054
Income from financial assets at fair value through profit and loss	2,737,183	932,293
Dividend income	15,162	9,932
Total income from debt securities	16,292,449	11,559,630
Total revenue	86,611,117	58,513,850

For the years ended 31 December 2014 and 31 December 2013 cost of sales are as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Cost of residence sales	11,011,823	8,381,183
Depreciation expense	594,004	487,782
Real estate tax expense	1,160,620	1,174,044
Other	236,716	675,770
Total cost of property	13,003,163	10,718,779
Expense from financial assets at fair value through profit and loss	1,456,206	1,074,078
Commission expenses	190,220	230,659
Total cost of borrowing instruments	1,646,426	1,304,737
Total cost of sales	14,649,589	12,023,516

19. ADMINISTRATIVE EXPENSES

For the years ended 31 December 2014 and 2013, administrative expenses are as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Personnel expenses	5,099,818	4,098,719
Donation and aid expense	2,000,000	--
Outsourced service expenses	560,956	202,984
Sponsorship expenses	539,835	718,137
Amortisation expenses	496,069	318,506
Consultancy expenses(1)	454,442	498,142
Advertisement expenses	452,694	2,769,372
Rent expenses	415,739	384,100
Tax and duties expenses	397,219	195,458
Travel and rent a car expenses	293,434	254,638
Office and IT related expenses	162,259	159,327
Feasibility and expertise expenses	21,733	5,465
Maintainance expenses	--	140,909
Other expenses	29,845	7,843
Total	10,924,043	9,753,600

Personnel expenses

	1 January – 31 December 2014	1 January – 31 December 2013
Salaries and wages	3,774,656	3,108,901
Social security payroll tax	520,274	377,913
Attendance fee	256,315	260,544
Other	548,573	351,361
Total	5,099,818	4,098,719

20. OTHER OPERATING INCOME / (EXPENSE)

For the years ended 31 December 2014 and 2013 other operating income / (expense) are as follows:

	1 January – 31 December 2014	1 January – 31 December 2013
Other operating income		
Foreign exchange gains	9,365,000	1,427,368
Other operating expense		
Foreign exchange expenses	(7,271,997)	(2,468,834)

21 FINANCIAL EXPENSE

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

	1 January – 31 December 2014	1 January – 31 December 2013
Interest expenses	1,783,342	4,184,441
Total	1,783,342	4,184,441

22. INCOME TAX

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.

23. 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.

There is no dilutive shares within the company.

	1 January – 31 December 2014	1 January – 31 December 2013
Net profit for the period	61,347,148	31,510,827
Weighted average number of shares	687,568,954	624,507,041
Earnings per share	0.08790	0.04515
Deluted earnings per share	0.08922	0.05046

24. 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.

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 it's 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.

As at 31 December 2014, credit risk exposure of financial assets is as follows:

	Receivables						Total
	Trade receivables			Other receivables			
	Related Parties	Other Parties	Other receivables	Related Parties	Other Parties	Other receivables	
31 December 2014	--	12,301,753	--	--	--	--	58,888,783
Exposure to maximum credit risk as at reporting date (A+B+C+D)	--	12,301,753	--	--	--	--	58,888,783
A) Net carrying value of financial assets which are neither impaired nor overdue	--	12,301,753	--	--	--	--	58,888,783
B) Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--	--
C) Net carrying value of impaired assets	--	--	--	--	--	--	--
- Past due (gross book value)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--	--
-Overdue (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 2014.

	Receivables						Total
	Trade receivables			Other receivables			
	Related Parties	Other Parties	Other receivables	Related Parties	Other Parties	Other receivables	
31 December 2013	--	14,573,988	--	--	--	--	188,687,457
Exposure to maximum credit risk as at reporting date (A+B+C+D)	--	14,573,988	--	--	--	--	188,687,457
A) Net carrying value of financial assets which are neither impaired nor overdue	--	--	--	--	--	--	--
B) Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--	--
C) Net carrying value of impaired assets	--	--	--	--	--	--	--
- Past due (gross book value)	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc)	--	--	--	--	--	--	--
- Overdue (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.

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 financial liabilities including payments according to their remaining contractual maturities:

Contractual maturities						
31 December 2014	Carrying Value	Total of contractual cash flows	Up to 3 months	3 months to 1 years	1yearto5 years	More than 5 years
Non-derivative financial liabilities						
Loans and borrowings	16,737,916	22,673,596	895,010	2,685,031	14,320,167	4,773,388
Total	16,737,916	22,673,596	895,010	2,685,031	14,320,167	4,773,388
Expected maturities						
31 December 2014	Carrying Value	Total of contractual cash flows	Up to 3 months	3 months to 1 years	1yearto5 years	More than 5 years
Non-derivative financial liabilities						
Trade payables	606,561	606,561	606,561	--	--	--
Total	606,561	606,561	606,561	--	--	--

Contractual maturities						
31 Aralık 2013	Carrying Value	Total of contractual cash flows	Up to 3 months	3 months to 1 years	1yearto5 years	More than 5 years
Non-derivative financial liabilities						
Loans and borrowings	18,537,660	25,884,654	872,976	2,622,122	14,080,758	8,308,798
Total	18,537,660	25,884,654	872,976	2,622,122	14,080,758	8,308,798

Expected maturities						
31 December 2013	Carrying Value	Total of contractual cash flows	Up to 3 months	3 months to 1 years	1yearto5 years	More than 5 years
Non-derivative financial liabilities						
Trade payables	2,381,906	2,381,906	2,381,906	--	--	--
Total	2,381,906	2,381,906	2,381,906	--	--	--

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 US Dollar ("USD") bonds and checks.

	31 December 2014	31 December 2013
	(Balance TL)	(Balance TL)
Total foreign currency assets	5,901,343	3,947,424
Total foreign currency liabilities	(1,372,565)	(15,073,180)
Net exposure	4,528,778	(11,125,756)

	31 December 2014				31 December 2013	
	TL (functional currency)	USD	Euro	GBP	TL (functional currency)	USD
1. Trade Receivables	1,424,338	614,230	--	--	1,321,680	619,257
2a. Monetary Financial Assets	91,233	38,332	500	260	--	--
2b. Non-monetary Financial Assets	4,332,437	1,868,316	--	--	--	--
3. Other	--	--	--	--	--	--
4. CURRENT ASSETS	5,848,008	2,520,878	500	260	1,321,680	619,257
5. Trade Receivables	53,335	23,000	--	--	2,625,744	1,230,260
6a. Monetary Financial Assets	--	--	--	--	--	--
6b. Non-Monetary Financial Assets	--	--	--	--	--	--
7. Other	--	--	--	--	--	--
8. NON-CURRENT ASSETS	53,335	23,000	--	--	2,625,744	1,230,260
9. TOTAL ASSETS	5,901,343	2,543,878	500	260	3,947,424	1,849,517
10. Trade Payables	1,372,565	588,614	2,704	--	5,772	2,704
11. Financial Liabilities	--	--	--	--	--	--
12a. Monetary Other Liabilities	--	--	--	--	15,067,408	7,059,649
12b. Non-Monetary Liabilities	--	--	--	--	--	--
13. SHORT-TERM LIABILITIES	1,372,565	588,614	2,704	--	15,073,180	7,062,353
14. Trade Payables	--	--	--	--	--	--
15. Financial Liabilities	--	--	--	--	--	--
16a. Financial Liabilities	--	--	--	--	--	--
16b. Non-Monetary Liabilities	--	--	--	--	--	--
17. LONG-TERM LIABILITIES	--	--	--	--	--	--
18. TOTAL LIABILITIES	1,372,565	588,614	2,704	--	15,073,180	7,062,353
19. Off balance sheet derivatives net asset/liability position(19a-19b)						
19. a Active off balance sheet derivative(foreign currency)						
Türev ürünlerin tutarı	--	--	--	--	--	--
19b. Passive off balance sheet derivative(foreign currency)						
20. Net foreign currency asset liability position	4,528,778	1,955,264	(2,204)	260	(11,125,756)	(5,212,836)
21. Monetary accounts net foreign currency asset/liabilities position (1+2a+5+6a-10-11-12a-14-15-16a)	196,341	86,948	(2,204)	260	(11,125,756)	(5,212,836)
22. Fair Value of financial assets used for foreign currency hedge						
23. Hedged Foreign Currency Assets Amount	--	--	--	--	--	--
24. Hedged Foreign Currency Liabilities Amount	--	--	--	--	--	--

Foreign currency sensitivity analysis;

31 December 2014	Profit/(Loss)		Shareholder's Equity	
	Devaluation of TL	Evaluation of TL	Devaluation of TL	Evaluation of TL
10% change in USD against TL;				
1- USD net assets/(liabilities)	201,624	(201,624)	201,624	(201,624)
2- USD proportion hedged from changes (-)	--	--	--	--
3- USD net effect (1+ 2)	201,624	(201,624)	201,624	(201,624)
10% change in EURO against TL;				
1- EURO net assets/(liabilities)	(6,217)	6,217	(6,217)	6,217
2- EURO proportion hedged from changes (-)	--	--	--	--
3- EURO net effect (1+ 2)	(6,217)	6,217	(6,217)	6,217
10% change in GBP against TL;				
1- GBP net assets/(liabilities)	935	(935)	935	(935)
2- GBP proportion hedged from changes (-)	--	--	--	--
3- GBP net effect (1+ 2)	935	(935)	935	(935)
Total	196,342	(196,342)	196,342	(196,342)

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

Interest rate risk

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

The table below shows the financial instruments sensitive to interest rates as at 31 December 2014 and 31 December 2013:

	31 December 2014	31 December 2013
Financial instruments with fixed interest rates		
Financial assets	45,831,057	175,294,044
<i>Time deposits</i>	7,902,288	70,839,906
<i>Reverse repo</i>	--	1,255,000
<i>Government Bonds</i>	--	35,675,269
<i>Private sector bonds</i>	--	--
<i>Bank Bonds</i>	34,841,163	67,523,869
<i>Lease certificate</i>	3,087,606	--
Financial liabilities	16,737,916	18,537,660

Weighted interest rates which are applied to financial instruments as at 31 December 2014 and 31 December 2013 are as follows:

	31 December 2014	31 December 2013
Financial instruments		
Time deposits –TL	%8.11	%9.38
Financial investment-TL	%8.58	%7.51
Loans and borrowings-TL	%8.00	%8.00

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 end 31 December 2014 and 31 December 2013 would be as follows:

This analysis assumes that all other variables remain constant.

	Profit/loss		Comprehensive income statement(*)	
	100 bp Increase	100 bp decrease	100 bp Increase	100 bp decrease
31 December 2014	--	--	--	--
31 December 2013	(284,640)	284,640	281,581	(281,581)

(*)Profit/loss effect is included

Capital management

The Company manages capital by using effective portfolio management to reduce the risk of investment to minimum. 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.

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 2014, fair value of the long term trade receivables are computed based on the Company's default interest on contracts for trade receivable as at 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.

25. 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.

Financial liabilities

Loans and borrowings

As at 31 December 2014 fair value of loans and borrowings are calculated by using the Company' borrowing rate at the reporting date.

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.

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.

	Note	31 December 2014		31 December 2013	
		Carrying Value	Fair value	Carrying Value	Fair value
Financial Assets					
Bank bond (Held-to-maturity)	6	34,841,163	34,841,163	67,523,869	67,486,306
Trade receivables	7	12,301,753	12,254,151	14,573,988	14,204,486
Financial Liabilities					
Loans and borrowings	13	16,737,916	16,635,443	18,537,660	18,914,789

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.

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

31 December 2014	Level 1	Level 2	Level 3	Total
Financial investments:				
Lease certificate	3,087,606			3,087,606
Total financial assets	3,087,606			3,087,606

31 December 2013	1. Sıra	2. Sıra	3. Sıra	Total
Financial investments:				
Government bonds	35,675,269	--	--	35,675,269
Equity Investments	988,873	--	--	988,873
Total financial assets	36,664,142	--	--	36,664,142

26. SUBSEQUENT EVENTS

None.

APPENDIX I-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 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 data due to the Company has no subsidiary or joint venture.

As at 31 December 2014, the Company complied with the restrictions that stated on the paragraph "a,c,ç d and e" of 24. substance, 28. 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 2013: There is no incompliance.)

	Financial Statement Primary Accounts Items	Regulations	31 December 2014 (TL)	31 December 2013 (TL)
A	Monetary and Capital Market Instruments	Serial: III-48.1, Article 24/(b)	46,587,030	176,357,342
B	Real estates, based on Real Estates, Rights based on Real Estates	Serial: III-48.1, Article 24/(a)	816,622,098	660,714,993
C	Subsidiaries	Serial: III-48.1, Article 24/(b)	--	--
	Due from related parties (non-trade)	Serial: III-48.1, Article 23/(f)	--	--
	Other assets		65,197,538	53,059,559
D	Total assets	Serial: III-48.1, Article 3/(k)	928,406,666	890,131,894
E	Loans and borrowings	Serial: III-48.1, Article 31	16,737,916	18,537,660
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	827,793,895	769,176,013
	Other liabilities		83,874,855	102,418,221
D	Total liabilities and equity	Serial: III-48.1, Article 3/(k)	928,406,666	890,131,894
	Other Financial Information	Regulations	31 December 2014 (TL)	31 December 2013 (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/(b)	8,326,483	70,846,371
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 Rat	31.12. 2014 (TL)	31.12. 2013 (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	Max. %10	--	--
2	Monetary and Capital Market Instruments	Serial: III-48.1, Article 24/(a) / (b)	(B+A1)/D	Mim %51	%87.96	%74.23
3	Real estates, based on Real Estates, Rights based on Real Estates	Serial: III-48.1, Article 24/(b)	(A+C-A1)/D	Max. %49	%5.02	%19.81
4	Monetary and Capital Market Instruments	Serial: III-48.1, Article 24/(d)	(A3+B1+C1)/D	Max. %49	--	--
5	Idle Land	Serial: III-48.1, Article 22/(e)	B2/D	Max. %20	--	--
6	Subsidiaries (Operating Companies)	Serial: III-48.1, Article 28	C2/D	Max. %10	--	--
7	Borrowing Limit	Serial: III-48.1, Article 31	(E+F+G+H+J)/i	Max. %500	%2.02	%2.41
8	VTime Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article 24/(b)	(A2-A1)/D	Max. %10	%0.90	%7.96



