

Annual Report By The Board Of Directors 2015











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This report has been drawn up in accordance with the texts of the Communiqués Serial: II, No. 14-1 & 17-1 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 2015.

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 12 February 2016 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

> Alper Güvenç, Certified Public Accountant Partner





FROM CHAIRMAN...

Dear Stakeholders,

Although 2015 was a year, in which intensive developments were experienced both globally and domestically, we kept our promise to you, our dear stakeholders, for "sustainable growth" with the tangible data.

I'd like to thank our all employees here for their effort to keep that promise given by Board Members.

I'd also like to share my proud of contributing in our country's economic development with our every completed Project.

Our desire is to increase this contribution every coming year.

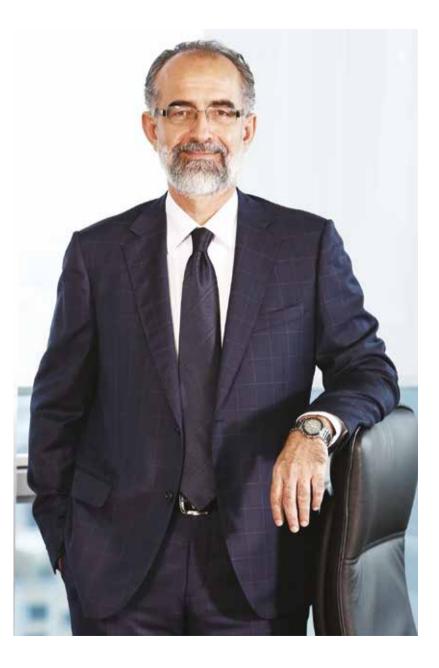
Especially when considering the housing sales figures in 2015, it can be easily seen that our sector remained attractive for both developers and buyers, although the fluctuations in exchange rates and global economy.

Compared to Europe and other developed countries, our country's higher growth potential in middle and long-term encourages us to enlarge our portfolio and to grow.

After 5 years of our establishment, we can clearly see our success in 2015 by looking at portfolio size we reached, by being one of the biggest stakeholders of Istanbul International Finance Center Project which is one of the prime projects of Turkey and by completing our projects successfully without deviating from our vision of "sustainable growth and profitability".

I strongly believe that our company's success and value will be increasingly continued through our ongoing projects and upcoming invests. I'd like to sincerely thank all of our employees who contributed in this success and to our dear shareholders who appreciate our Company's development.

> Sincerely, R. Süleyman ÖZDİL Chairman





17.



FROM GENERAL MANAGER...

Dear Stakeholder,

Our company, who has provided a sustainable growth, reached to TL 1.8 billion real estate portfolio size at the end of 2015 and also generated a total revenue of TL 100 million by the help of its residential projects sales income and regular rental income.

The year ended for our company with a profit of TL 57 million and with a ROaE at 6.73%.

In the year of 2015 in which we take remarkable steps in many project. We completed the projects of Park Dedeman Levent Hotel centered in Levent, Istanbul and leased to Dedeman Group International. Also Banking Base-Block A centered in Şekerpinar, Kocaeli has been completed and leased to Halkbank. We started to generate regular rental income from both.

Moreover, "Referans Bakıröy" and "Eskişehir Panorama Plus" residential projects, in which sales and deed transfers are still in process had strong contribution on our 2015 revenue and profit.

The other important step was converting our Salipazari building into a hotel project regarding our strategy of portfolio productivity.

In June, we obtained construction permits for our towers to be in Istanbul International Finance Center Project which is the one of the prime projects of Turkey and our Company. Our main target for 2016 is to start construction works of this Project.

In the period, we also put a signature under new projects in accordance with our "growth with profitability strategy". In this line, we started the process of construction and sales for Bizimtepe Aydos Residential Project which carried out through joint venture with Vakıf GYO.

It can be easily said that our Company plays a big role in not only REIT sector but also Turkish economy when considering its projects that realized and its success on its balance sheet.

When leaving our 5th year behind as Halk GYO, on the way we aimed, we are moving forward with firm steps together with our employees and all other stakeholders. I'd like to sincerely thank all parties contributed and our main shareholder, Türkiye Halk Bankası A.Ş. and express my gratitude to our Board of Directors, stakeholders and partners.

> Sincerely, Şeref AKGÜL Deputy General Manager



HALKGYO

COMPANY PROFILE

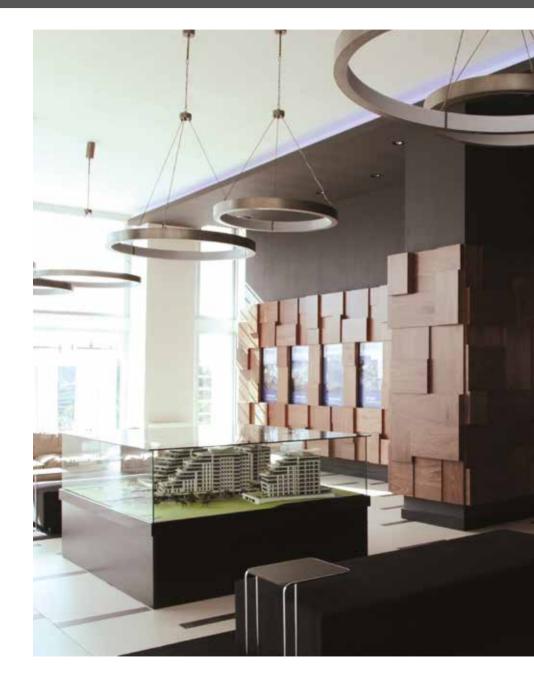
About the Company

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 2015 with a real estate portfolio of TL 1.8 billion at current values, assets' size of TL 975 million and equity of TL 880 million.

Head Office	: Şerifali Çiftliği Tatlısu Mah. Ertuğrulgazi Sk
	N:1 34774 Yukarı Dudullu
	Ümraniye/İSTANBUL
Telephone	:+90 216 600 10 00
Fax	: +90 216 594 53 72
Web Site	: www.halkgyo.com.tr
Trade Reg. No	: İstanbul / 751122
Mersis No	: 0456046607600015









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...





Brief History



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. As of 31 December 2015, Board of Directors consists of 6 members of which 2 are independent.

Name	Title	Start Date of Term of Office	Date of Election
R. Süleyman ÖZDİL*	Chairman	31.08.2015	
Ahmet YARIZ	Vice Chairman	29.03.2011	17.04.2015
Yunus KARAN	Member	14.05.2012	17.04.2015
Osman BEKTAŞ	Member	17.04.2015	17.04.2015
Yüksel GÖRGEÇ	Independent Member	14.05.2012	17.04.2015
Yahya BAYRAKTAR	Independent Member	10.04.2014	17.04.2015

* Because of the health problems, previous Chairman, Mr. Hasan Cebeci, resigned voluntarily from his duty on 27.08.2015 and it was unanimously decided Mr. Recep Süleyman Özdil be assigned instead to hold the chairmanship of Board Of Directors on 31.08.2015 and it will be submitted on next General Assembly for approval.



R. Süleyman ÖZDİL - Chairman

Recep Suleyman Özdil was born in İstanbul in 1961. He graduated from Ankara University Faculty of Political Science, Department of Economics. After beginning his professional career as an Auditor at a private company in 1984, Özdil served as a Specialist, Assistant Manager and Branch Manager at Albaraka Türk Özel Finans Kurumu A.Ş. in the years from 1986 to 1993. He worked as a Finance Coordinator at a private company between 1993 and 1995 before performing his duties as Assistant General Manager at Ihlas Finans Kurumu A.Ş. from 1995 to 2001 and at Family Finans Kurumu A.Ş. from 2001 to 2005. Özdil served as board member and General Manager at Birleşik Fon Bankası A.Ş. from 2005 till 2011, and as a board member of the Savings Deposit Insurance Fund between 2011 and 2014. He has been Chairman of Board at T. Halk Bankası A.Ş. since 28.08.2015 and Halk Gayrimenkul Yatırım Ortaklığı A.Ş. since 31.08.2015.



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. Yarız 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, Istanbul 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

Osman BEKTAŞ - Member

Mr. Bektaş was born in Manisa in 1971. He graduated respectively from Ankara University Academy of Politics and Commercial Sciences in 1992 and Ziraat Bank School of Banking in 1993. Between the years of 1993 – November 2014, he worked for Ziraat Bank Planning, Budget and Control Directorship, for Eskişehir Esbank Committee of Inspection as an inspector, as Senior Inspector of the Committee of Inspection of Toprakbank and as Head of Loan Tracking in Ziraat Leasing. Bektaş who started working in Directorate of Support Services in November 2014 also works as General Director of Construction and Expertise in Halk Bank. Between the dates of November 2014 - April 2015 he worked as Board Member of Halk Investment Securities. Besides being a Board member in Türk P&I Investment Securities, Mr. Bektaş has been serving as Board Member of Halk Gayrimenkul Yatırım Ortaklığı A.Ş since 17.04.2015.

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 Turk 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 Yapi 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 Vakif Securities Investment Trust Co. while he is also General Secretary of Erzincan Eğitim ve Kültür Foundation. 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 2015, any action taken with the Company and any situation contrary to the prohibition of competition were not experienced.

Board of Directors Meetings

During 2015, Board of the Directors assembled 22 times and took 43 decisions.

Independence Statements by the Members of the Board of Directors

To The Chairman Of The Board Of Directors Of Halk Gayiimenkul Yatırım Ortaklığı Anonim Şirketi Independence Statement

I declare that;

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

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

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

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

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

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

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

> 14/05/2012 Yüksel GÖRGEÇ

HALKGYO

To The Chairman Of The Board Of Directors Of Halk Gayrimenkul Yatırım Ortaklığı Anonim Şirketi 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.

10/04/2014 Yahya BAYRAKTAR

Committees of Board of Directors

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

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 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.

Audit Committee,

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 6 meetings and took 6 decisions.

Early Detection of Risk Committee,

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 5 meetings and took 5 decisions.

Remuneration Committee,

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. During the period. Committee assembled for 1 meeting and took 1 decision.



As of 31.12.2015, committees and their task distributions are as stated below.

MEMBERS OF AUDIT COMMITTEE

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

MEMBERS OF CORPORATE GOVERNANCE COMMITTEE

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

MEMBERS OF EARLY DETECTION OF RISK COMMITTEE

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

REMUNERATION COMMITTEE

Name	Title
Yüksel GÖRGEÇ	Chairman- Independent Board Member
Yunus KARAN	Member- Board 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 9 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 2015 remunerations of Board of Directors and executives took place as a recommendation in Ordinary General Assembly and was approved.

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



Executives

Name	Title	Profession		
Şeref AKGÜL	Deputy General Manager (CFO)	Banker		
Erdinç YILMAZ	Group President of Finance	Public Accountant		
Uğur GÜNEY	Group President of Investor Relations	Banker		
Erdal BEKİN	Group President of Project Implementation	Civil Engineer		

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 832,223 as of the end of 2015. (31 December 2014: TL 857,816)

The Changes in the Board of Directors and Executives

In 2015 General Assembly dated on 17 April 2015, besides current Board Members, it was also resolved that Mr. Osman Bektaş be appointed as a Board Member.

After Mr. Kazım Şimşek resignation resulting from retirement on 30 April 2015, CFO, Mr. Şeref Akgül, has been assigned as Deputy General Manager.

Because of the health problems, previous Chairman, Mr. Hasan Cebeci, resigned voluntarily from his duty on 27.08.2015 and it was unanimously decided Mr. Recep Süleyman Özdil be assigned instead to hold the chairmanship of Board Of Directors on 31.08.2015 and it will be submitted on next General Assembly for approval.

Company's Capital and Shareholding Structure

The capital details and shareholding structure of our company are as follows as of 31.12.2015.

Capital Details

Issued Capital	743,000,000 - TL
Authorized Capital	1,500,000,000 - TL

			31.12.2015		31.12.2014
	Group	Share Rate %	Share Amount TL	Pay Oranı %	Pay Tutarı TL
TÜRKIYE HALK BANKASI A.Ş.	А	1.58	11,739,936	1.58	11,027,324
TÜRKIYE HALK BANKASI A.Ş.	В	70.38	522,939,741	70.38	491,197,355
HALK YATIRIM A.Ş.	А	0.04	280,377	0.04	263,358
HALK FİNANSAL KİRALAMA A.Ş.	А	<0.01	1	<0.01	1
_ PUBLICLY HELD*	В	28.00	208,039,945	28.00	195,411,962
Paid in Capital		100.00	743,000,000	100.00	697,900,000

*As of 31.12.2015, Halkbank A.Ş. has the share of nominal valued of TL 52,492,058.357 and Halk GYO A.Ş. has the share of nominal valued of TL 20,946,783.76



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 nonpublic, 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.

With the capital increase through bonus issues performed with a nominal value at 45,100,000 and by 6.46224 percent to be fully covered from the profit for 2014 based on the Resolution of the Board of Directors of 17.04.2015, the issued capital of the Company has been raised from TL 697,900,000 to TL 743,000,000.

Of total of 743,000,000 shares each with a nominal value at TL 1.00, 12,020,314.557 shares constitute A Group shares and 730,979,685.443 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 2015 are provided below:

Shareholder	Share	
TÜRKIYE HALK BANKASI A.Ş.	79.03 %	
	Ratio of Non-Public Shares to the Total Capital :	71.96 %
	Ratio of Public Shares to the Total Capital	7.07 %*

* The rate of Türkiye Halk Bankası A.Ş. after purchasing our Company's public shares traded at BIST.



ASSESSMENT OF THE YEAR BETWEEN 1 JANUARY - 31 DECEMBER 2015

Major Amendments and Updates to the Communiqué

In the fiscal period,

Regulation on the Amendment to the Communiqué Serial II, No: 26.1.a on "Tender Offer" entered into force upon publishing in Official Gazette No.29280 of 27/02/2015.

With the Communiqué;

• It is stated that sharing the management control of the target entity between a purchaser and a controlling shareholder through a written agreement, as a result of the acquisition of a certain portion of the shares by the purchaser from the controlling shareholder, provided that the purchaser holds at most 50% of the voting rights, shall no longer trigger the launch of an MTO (Mandatory Tender Offer).

• When determining MTO price regarding the regulations and implementations, all months shall deemed to be 30 days long and stock prices shall be counted with their updated prices.

• Certain modifications are also made to the Voluntary Tender Offer price and scope.

• The VTO (voluntary tender offer) can also be addressed to a portion of the target entity's shares and accordingly the scope of the VTO can be changed in the condition of increasing in the amount of target shares within the scope of the VTO during the term of the VTO.

Regulation on the Amendment to the Communiqué Serial II, No: 23.1.a on "Common Principles Regarding Significant Transactions and the Retirement Right" entered into force upon publishing in Official Gazette No. 29280 of 27/02/2015.

With the Communiqué;

• Within the scope of amendments to Communiqué No: VII-128.1 on Shares, performance of the obligation to contribute capital in cash in the capital increases to be made by publicly held companies by way of deduction of the debts of the company arising from transfer of assets other than cash, shall no longer be deemed as a significant transaction.

• In the case a non-publicly held company takes over a publicly held company in a merger transaction, controlling shareholders of the non-publicly held company and persons acting together with them shall make a tender offer in order to protect rights and interests of investors.

Economic and Industrial Developments

World Economy

USA's macroeconomic data featuring in applicability of interest rate program, the deflation risks faced by Euro zone and Japan and their programs in order to provide economic support, being passed into history by Greece as the first EU member who failure to pay their debts to IMF, crisis in China growth and devaluating Yuan to provide increases in China's export, reduction of Brent petrol price to \$32,25 dollars/barrel, lifting of embargo imposed on Iran and adverse effects of threats occurring in metropolitans and their reflections to the political and commercial relations between countries were marked events that followed as global developments.

After ending its program of public sector purchase amounted \$ 85 billion gradually by reducing \$ 10 billion monthly, USA Central Bank (FED) stated that they would follow the rates of growth, inflation and employment to implement the program of increasing rates or not and thus, these rates has became the most followed rates by the whole world. In this line, Fed kept giving the signals of increasing rates during all year and at the last meeting of the year, dated 15-16 December, FED raised its target range for the fed funds rate by 25 bps to 0.25-0.50% and in January, left the rates unchanged. In October, USA achieved its purpose of dropping unemployment rate to 5% and by holding it steady at same level till December, USA showed its best performance since 2008. USA contracted at a 0.2% in first quarter which was less severe than expected and according to last revised numbers, in the second, third and last quarters, it recorded 3.9%, 2% and 0.7% growth respectively and 2.4% for all of 2015.

In 2014, Euro zone struggled with weak growth problem resulting from deflation caused by low inflation and high unemployment. To overcome these difficulties, ECB (European Central Bank) started to implement expansionary monetary policies in March of 2015 and it raised the household consumption expenditure which was the great support to GDP so, in the third guarter, Euro zone could achieve to grow by 0.3% quarterly whereas grow by 1.6% YoY. However in inflation rates, the expansionary policies affects could not be felt and December CPI of Euro zone rose by 0.2% YoY which is lower than expected. These low inflation rates during the year, which targeted at 2% by ECB, had created expectations for additional expansions in purchasing amounts, especially considering Draghi's discourses that ECB would try anything to raise the inflation rates. However, at the meeting held in December, ECB extended its expansionary policies to March 2017 from September 2016 instead and reduced the rates to -0.3% from -0.2%.

China, who had started globally concerns with the explanation that they would shift to a service industry & domestic consumption-driven economy from an investment & external consumption-driven economy, reduced its growth from 10.6% in 2010 to 6.9% in the 3rd guarter-dipping below 7% for the first time since 2009. In this slowdown, it was felt the effect of new regulations regulated for preventing shadow banking also contracted the banking sector and resulted in savings, hence investments as well decline. Also fall in export rates from the level at 29% to 6% and devaluating Yuan through quantitative easing program which supports the fall in export were seen as other reasons. Chinese Central Bank (PMOC) who had chosen devaluating Yuan as a precaution, gave up that choice after experiencing its negative effects during the year and fixed Yuan. In parallel with all these conditions, IMF and World Bank expected the China growth continues to be in tendency to decline and Fitch revised its estimate to 6.3% from 6.8% for 2016 by emphasizing that China's persistency of reducing interest rates so as to ease public's debt burden causes capital outflows and Yuan weakness.

Besides China crisis-one of the biggest oil importers, because of Iran's re-entry in the global economy, OPEC's meeting in December which resulted with removing the production ceiling and in return for this USA's move of lifting the ban on crude oil exports, Brent petrol prices reduce to \$32,25 dollars/barrel, the lowest level since June 2004.

In "World Economic Outlook" Report, revised in October, IMF had decreased its 2015 and 2016 global growth forecasts respectively to 3.1% and 3.6%. The reasons of decreasing had been indicated as tumbles in commodity prices and increasing financial fluctuations. Thereafter, in following report published in January 2016. IMF decreased its forecasts more and revised as 3,4% for 2016 and 3.6 for 2017. The organization cited slower growth in China, rising interest rates in the U.S. and falling commodity prices as potential risks to global growth and said global growth could be derailed if key challenges are mishandled, IMF, also, reduced its growth prediction for advanced economies from 2.2% to 2.1% for both this year and next year and repeated advanced economies kept to be exposed to low productivity and deflationary shocks, plus Europe and Japan should maintain their quantitative easing programs (QE). For developing economies,

the Fund cut 2016 and 2017 growth expectations to respectively 4.3% and 4.7%, which were 4.5% and 4.9% before by indicating the revisions tilted to downside were specially resulted from developing economies lower performance than expected.

OECD "Interim Economic Assessment Report" published in March, revised in September and lowered 2015 and 2016 global growth forecast to 3% and 3.6% respectively. The reasons for the cut were weaker growth prospect for global economy, slowing global trade, persistency of financial instability and breakdowns in most developing economies even developed ones could make a progress. On the other hand, the Organization raised its Euro zone forecast by 0.1 percentage point to 1.6% for 2015 but not by as much as might have been expected in light of falling oil prices and a weaker euro, according to the OECD. So, the Organization decreased its Euro zone growth forecast to 1.9% for 2016. The OECD's US growth forecasts for 2015 and 2016 were revised to 2.4% and 2.6%, compared to earlier projections of 2% and 2.8%.

In "Global Economic Prospects Report", published 2 times in a year, World Bank lowered its forecast for 2016 growth to 2.9%, from a 3.3% projection in June, indicating emerging markets struggle amid China's slowdown and contraction of Russia and Brazilian economies, while revised 2017 and 2018 forecasts to 2.9% and 3.1% respectively. In the report it was stated that 2015 global growth came in at 2.4%, down from its 2.8% forecast in June. For developing countries, this year and next year growth were revised to %4.3 from 5.2% and to 4.8% from 5.2% respectively. The U.S. economy was expected to grow 2.7% this year, previous forecast was 2.8%, since its export would affected negatively by a strong dollar.

Turkish Economy

Global markets, general elections, forming a government and publishing its program, currency fluctuations, G20 summit in Antalya and Turkey-EU meetings in Brussels, joining the "Islamic Antiterrorism Coalition", the tension on the Syrian and Iraq border, refugee developments and relations with Russia took their place among the most important issues on the 2015 agenda of Turkey. In the first Quarter Turkey's economy grew by 2.5% YoY and in the second and third quarter it grew by respectively 3.8% and 4% YoY, more than expected. Agriculture, forestry and fishery sector increased by 20.1% and made the strongest contribution in third growth, for 24th times in a row, while household final consumption expenditure increased by 3.4%.

In October 2015, unemployment rate realized as 10.5%, increasing by 104 thousand persons YoY to 3 million 147 thousand persons.

Annual Consumer Price Index (CPI) and annual Producer Price Index (PPI) were disclosed in December as respectively 8.81% and 6.97% higher than expected. It was also higher than CBRT forecast of 7.9% in its last inflation report of 2015. In this hike, the highest monthly increase was 1.24% in food and non-alcoholic beverages while the high

est annual increase was 13.23% in hotels, cafes and restaurants. In CBRT January Inflation Report, inflation rate for 2016 and 2017 are estimated as 7.5% and 6%. Along 2015, despite of falls in oil and food prices due to decreasing export to Russia, the impact of exchange rate was felt much more. Previous MTP's 2016-17-18 year-end forecast for CPI were 6.5%, 5.5% and 5% but in new MTP, released in January 2016, they were revised to 7.5%, 6% and 5% respectively. For the forthcoming periods, inflation rate are foreseen to increase in consequence of new tax regulations for import and raises in salaries, in minimum wages and also in new price adjustments.

In December 2015, foreign trade deficit decreased by 27.4% YoY from 8 billion 519 million dollars to 6 billion 183 million dollars. In the same month, also exports decreased by 11.1% and imports decreased by 17v.5% on the annual basis. Moreover, exports coverage imports was 65.6%, while it was 60.9% in December 2014.

Considering balance of payment, the ratio of current account deficit to GDP realized at 5.75% in 2014, lower compared with 2013, with the contribution of increasing net revenues from services to the decreasing foreign trade deficit which is consequent of decreasing import.

Additionally, according to the Turkish Republic Central Bank last data in January, November Current Accounts Deficit was stated as \$ 2,105 million by a decrease of \$ 3,689 million YoY. Thus, 12-month cumulative current account deficit narrowed to 741 million dollars. When examining current deficit items, it was ensued decreasing services balance, especially realized in travelling revenues item, absorbed the support of the falls in power service products import.

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

	World Bank		IM	IMF		MTP		OECD	
%	2016	2017	2016	2017	2016	2017	2016	2017	
Growth	3.5	3.5	2.9	-	4.5	5	3.4	4.1	
Inflation	6.5	6.5	7.0	-	7.5	6	6.9	6.5	
Unemployment	-	-	11.6	-	10.2	9.9	10.8	10.3	
External Current Account/GDP	-5.1	-5.5	-4.7	-	-3.9	-3.7	-4.9	-4.9	

Sectoral Developments

Construction sector contracted by 2.8% in first quarter while grew by 1.9% in both second and third quarter. After contracting 2 times in a row because of stronger dollar and uncertainty in politics, provided political stability and constructed new projects were the main reasons of the hike occurred in construction sector, which kept its place of being one of main sectors which provide the most employment.

In the third quarter of 2015, Construction Turnover Index and Construction Production Index, the datas which are seen important in construction sector, respectively increased by 1.2% and 3.3% YoY.

In the third quarter of 2015, the total area of Construction Permits has given by municipalities, decreased by 24.8% YoY. The total area of the buildings Construction Permits given was 132.3 million m2 and 72.3 million m2 of it realized as residential building, 34.4 million m2 of it realized as non residential building and 25.6 million m2 of it realized as common used area.

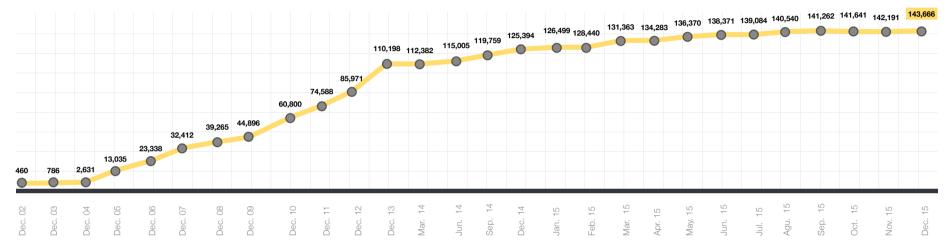
The total area of all buildings to which Occupancy Permits were given, decreased by 11.5%. The total area of the buildings Occupancy Permits given was 100.2 million m2 and 59.5 million m2 of it realized as residential building, 24.2 million m2 of it realized as non residential building and 16.5 million m2 of it realized as common used area.

Reaching 70 basis points cut in bond yield from the beginning of 2015, had reflected on loan interest and had reduced the mortgage loan monthly interest rates to averagely 0.83%. Later than, because of the increasing inflation ratio and uncertainty in political environment and exchange rate, the rates had been starting to rise and in August, with the fluctuations in global financial conditions, it had jumped to 1.02%. Leaving political uncertainty behind after November election even had created an expectation for lower interest rates, rising tension with Russia and failure of the banks in dropping their external source costs restrained the rates from reducing by December and in December they decreased to 0.91% from 1.18% in November.





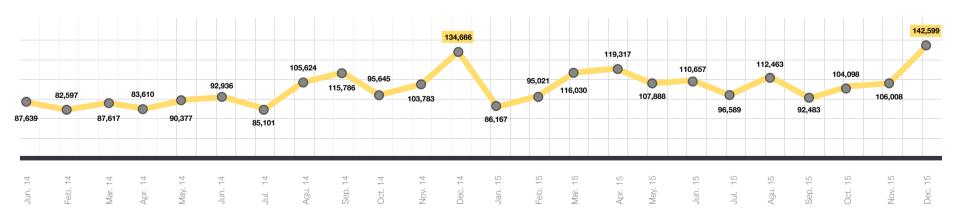
Mortgage Loan Trend (mn TL)



As of 31 December 2015, the total mortgage loans have been reached to TL 143 billion and its share has been 9.49% of total loans.

In Turkey, house sales increased by 5.9% in December 2015 compared to the same month of the previous year and hence, became 142,599. Thus, in 2015, totally 1,289,320 houses were sold, increasing by 10.6% compared to the previous year.

House Sales



Residential Price Index was 199.56 in November 2015. Unit prices calculated as residential value per square meter was 1,752.05 TL/ m² in November 2015 while it was 1,497.47 TL/ m² in November 2014.

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BOARD'S ACTIVITIES BETWEEN JANUARY 1 - DECEMBER 31, 2015

Work Related to Portfolio

In the fiscal period of 2015;

The construction permit has been granted for "İstanbul International Finance Center" to be developed a mixused "commercial+residential" project in Ümraniye/ İstanbul. Moreover, in 15 May 2015, a guarantee letter amounted to TL 97,504,542 was provided to iller Bankası A.Ş. which is our Company's share in the costs of "common infrastructure" construction. In the period, the signed contract on 24 April 2013 with Seyaş Sey Mimarlık Mühendislik Müşavirlik A.Ş. for getting design services has been terminated.

In our "Referens Bakırköy" Residential Project which include up to totally 327 independent units containing 254 residential and 73 commercial, the sales revenue has been reached to the amount of TL 36.9 million with the sales of 64 independent units and the deed transfer process of 120 independent units amounted TL 70.9 million has been completed.

As at 31 December 2015, the sales revenue has been reached to the amount of TL 198.6 million with the sales of 288 independent units and the deed transfer process of 212 independent units amounted TL 150.8 million has been completed, in total.

"Panorama Plus" residential+commercial project consisting of 97 residential and 5 commercial units in Odunpazarı/Eskişehir, had been completed and after receiving its occupancy permit, deed transfer transactions has started. In the Project at which sales continue, the sales revenue has been reached to the amount of TL 25.3 million with the sales of 58 independent units (57 residential units+1 commercial unit) and the deed transfer process of 46 independent units amounted TL 19.6 million has been completed. Out of 4 remaining commercial units in the Project, one of them, No 17 in Block B, has been rented out on a 10-year lease for monthly TL 6,000+VAT while another one, basement of Block D, held by Migros Ticaret A.Ş. under a 10-year lease.

Also, the Project is awarded with the certificate of "LEED SILVER" by USGBC (U.S. Green Building Council)

For the residential Project of "Bizimtepe Aydos" carried out in Sancaktepe by Halk GYO-Vakıf GYO Adi Ortaklığı, which is a joint venture of our Company with Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş., prime contractor has been determined and construction has been started after obtaining construction permit. Sales have started at the Project since November 2015.

The occupancy permit for "Block A" (9.131 m2) of "Şekerpınar Banking Base" in Şekerpınar,Kocaeli, has been granted. In parallel with goodwill agreement signed with Türkiye Halk Bankası A.Ş., our main shareholder, on 21 May 2014; it has been rented out on a 10-year lease for monthly TL 442,625+VAT in a way to be valid from 15 April 2015 and the yearly increase in rent will be calculated in parallel with the rate of (PPI+CPI)/2.

Our one of the most valuable assets, "Park Dedeman Levent" hotel Project in Büyükdere St. located along the Maslak-Mecidiyeköy thoroughfare, has been completed and its construction permits has been granted. In the line with 10-year lease agreement signed with Dedeman Hotels & Resorts International Group, the Project has been delivered to the Group and opened its gates in July. The Project which was a candidate for LEED certificate has received LEED GOLD certificate in the period.

As a result of the best use and feasibility studies, aiming to be utilized in a most efficient way from Salıpazarı Building used as branch bank and office in Beyoğlu/İstanbul, it was decided to renovate the Building as a "hotel" which was seen as the best shape to contribute in our Company portfolio.

Concerning this matter, in March, Company's board reached a consensus on the building be reconditioned as hotel and leased out for long-term. After the procedure of sealed-bit and auction, "a lease contract" has been signed with Beril Otelcilik Turizm Ticaret Ltd.Şti. who offered the best bid.

According to related contract, our company shall cover part of renovating costs amounted TL 15,000,000 + VAT. During the renovation period of 12 months, Beril Otelcilik Turizm Ticaret Ltd. Sti. shall pay monthly \in 10,000 + VAT for rent to our Company. After the completion of renovation, total amount of 20 year-rent was determined as \in 34,350,000 + VAT.

A single contract has been signed as a renewal with Türkiye Halk Bankası A.Ş. to rent out 17 property for 5 years with an amount of monthly TL 1,310,730 + VAT as determined in 2015 year-end valuation reports. Also yearly raises in rents will be calculated in parallel with the rate of (PPI+CPI)/2.



General Assembly, Capital Increase and Articles of Association

Our Company's application for extension of the validity period of the registered capital ceiling for five years to 2015-2019 from 2010-2014, providing current registered capital ceiling of TL 1,500,000,000 not be attained, and related to this amendments of the Article 8-"Capital and Shares" and Article 16-"Special Decisions" in Articles of Association, to CMB Communiqué on "Principles Regarding Real Estate Investment Companies" (III-48.1), have been approved by CMB approval letter dated 23.01.2015 and numbered 829 as well as Customs and Trade Ministry approval letter dated 26.01.2015 and numbered 02.

The Ordinary General Assembly Meeting for 2014 was held at the head office of our company on April 17, 2015 in accordance with the resolution made on the meeting of the Board of Directors held on March 16, 2015, under the supervision of Ministry Observer who was appointed pursuant to letter No 7299047 of 15 April 2015 by Governorship of İstanbul / Provincial Directorate of Trade and with the condition of that, each having a nominal value of TL 1, 79.81 percent of the 697,900,000 shares has been represented at the meeting including 1,128,967.565 shares represented in person and 555,915,590.635 by Proxy.

In the relevant General Assembly;

- 1- Related amendments of Articles of Associations were approved.
- 2-2015 Board of Directors election was resolved by a majority of the votes as stated below
 - 1-) Mr. Hasan CEBECİ*
 2-) Mr. Ahmet YARIZ
 3-) Mr. Osman BEKTAŞ
 4-) Mr. Yunus KARAN
 5-) Mr. Yüksel GÖRGEÇ (Independent Member)
 6-) Mr. Yahya BAYRAKTAR (Independent Member)

As a result of Board of Directors decision in the same Assembly, Board Members duties and committee members were identified as following;

- Mr. Hasan CEBECI was appointed as the Chairman and Mr. Ahmet YARIZ was appointed as the Vice Chairman of the Board, *Because of the health problems, previous Chairman, Mr. Hasan Cebeci, resigned voluntarily from his duty on 27.08.2015.

- Mr. Yüksel GÖRGEÇ (President) (Independent Member) and Mr. Yayha BAYRAKTAR (Member) (Independent Member) were appointed as Audit Committee members,

- Mr. Yahya BAYRAKTAR (President) (Independent Member) and Mr. Yunus KARAN (Member) and Mr. Uğur GÜNEY (member) were appointed as Corporate Governance Committee members,

- Mr. Yüksel GÖRGEÇ (President) (Independent Member) and Mr. Yayha BAYRAKTAR (Member) (Independent Member) were appointed as Early Detection of Risk Committee members and,
- Mr. Yüksel GÖRGEÇ (President) (Independent Member) and Mr. Yunus KARAN (Member) were appointed as Remuneration Committee members.

3- Regarding Board decision approved in General Assembly about 2014 dividend distribution, TL 5.960.066 of the net profit was distributed in cash to our shareholders on 21 April 2015. 4- In parallel with same decision of the Board, increasing the capital by distributing bonus share amounted TL 45.100.000 was approved by CMB with the decision on 01.06.2015 numbered 14-676 and bonus shares were distributed on 11 June 2015.

Related General Assembly Minutes were registered on 29.04.2015 while the new Article of Associations was registered on 16.06.2015.

HALKGYO

Transactions with Related Parties

The transactions performed with the main shareholder 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 2015 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 35,895,715. We have cash and cash equivalents valued at TL 16,284,800 in our bank accounts at Türkiye Halk Bankası A.Ş. as of the end of December 31, 2015. Our company has a financial debt valued at TL 14,746,955 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 2015 are provided in the footnote no. 4 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:

"Although in principle REITs should take into account the appraisal value of the expert when selling or leasing real estate, they may also transact over values that are lower than the appraisal value in sales and leasing transactions. However, if the sales or leasing transactions are carried out over values lower than appraised values, such transactions must be publicly announced as material event disclosures and included in the agenda of the first general assembly meeting to inform the shareholders.

In the contract signed with Türkiye Halk Bankası A.Ş., leasing value of Şekerpınar Banking Base Block-A had been determined lower than appraised value. Our company announced this transaction to the public via material event disclosure and in the disclosure it was also stated that transaction would be included in the agenda of the first general assembly meeting to inform the shareholders.

While drawing up the lease agreement of related property, it was regarded that both companies are publicly traded and the transactions between them are in the scope of Article 13 of Corporate Income Tax Law numbered 5520 in which stated that related parties must set the transfer prices for the purchase and sales of goods and services due to their relations. Therefore the property's rental value determined as monthly TL 442,625 which is the mean value of appraisal values of Adım Gayrimenkul Değerleme A.Ş., designated in the name of our Company, and TSKB Gayrimenkul Değerleme A.Ş., designated in the name of Türkiye Halk Bankası A.Ş. This method was convinced as the most accurate and fair method for both companies.

All the transactions performed in 2015 between our Company and its main partner Türkiye Halk Bankası A.Ş. or 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, has been taken or avoided being taken."





AFFILIATION REPORT OF THE BOARD OF DIRECTORS IN THE TERMS BETWEEN 01.01.2015-31.12.2015

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

LEGAL TRANSACTIONS 1. Transactions with Dominant and Affiliated Companies

Receivables and Payables from Related Parties	31 December 2015
Banks	
T. HALK BANKASI A.Ş. (Demand Deposits)	391,196
T. HALK BANKASI A.Ş. (Time Deposits)	15,243,274
T. HALK BANKASI A.Ş. (Pos Account)	650,330
Total	16,284,800

Commercial receivables from related parties	
T. HALK BANKASI A.Ş.	4,863,835
Total	4,863,835

Prepaid Expenses	
HALK SIGORTA A.Ş.	46,875
HALK HAYAT ve EMEKLİLİK A.Ş.	5,344
Capitalized Expenses of Ongoing Properties as Investment	
T. HALK BANKASI A.Ş.	759,939
HALK SIGORTA A.Ş.	253,911
Total	1,066,069

Financial Dept	
T. HALK BANKASI A.Ş Short-term	3,396,983
T. HALK BANKASI A.Ş Long-term	11,349,972
Total	14,746,955

Commercial debts to Related Parties	
HALK SİGORTA A.Ş.	50,907
T. HALK BANKASI A.Ş.	265
Total	51,172



Incomes From Related Parties

31 December 2015

Rent Incomes	
T. HALK BANKASI A.Ş.	35,661,459
HALK SİGORTA A.Ş	86,665
HALK HAYAT EMEKLİLİK A.Ş.	86,665
HALK FAKTORİNG A.Ş.	60,926
Total	35,895,715

85% of rent incomes, earned in interim account period ended on 31 December 2015, was from related parties.

Interest Incomes	
T. HALK BANKASI A.Ş. (Interest Income on Demand Deposits)	569,249
T. HALK BANKASI A.Ş. (Interest Income on Financial Investments)	942,497
Total	1,511,746
Other Incomes	
HALK HAYAT ve EMEKLİLİK A.Ş.	9,146
HALK SİGORTA A.Ş.	1,582
Total	10,728
Expenses to Related Parties	31 December 2015
Insurance Expenses Paid to Related Parties	
HALK SIGORTA A.Ş.	(203,265)
HALK HAYAT ve EMEKLİLİK A.Ş.	(7,646)
Interest Expenses Paid to Related Parties	
T. HALK BANKASI A.Ş.	(1,623,127)
Operating Expenses Paid to Related Parties	
T. HALK BANKASI A.Ş.	(62,554)
HALK YATIRIM MENKUL DEĞERLER A.Ş.	(3,195)
Total	(1,899,787)

1.1 Transactions with Dominant Company

1.1.1 Incomes

a) Rent Incomes

21 properties in our portfolio have been rented by Türkiye Halk Bankasi A.S. and during 2015 all rents were collected regularly. The rent increase rate of the properties was determined to be calculated with the formula of PPI+CPI/2. Pursuant to CMB Serial III No: 48.1, which a leaser must follow, at the end of 5th year of leasing, the rental values must be renewed as designated in appraisal reports. At the end of 5th year, since the rent value cannot be lower than appraisals prepared by leaser, monthly rental values cannot be determined less than minimum values designated in last appraisal reports. In 2015, the rents of 17 building were collected in the scope of legislations of CMB's REIT Communiqués. In parallel with goodwill agreement signed with Türkiye Halk Bankası A.Ş. on 21 May 2014; Şekerpinar Banking Base- Block A has been rented out on a 10-year lease for monthly TL 442,625+VAT in a way to be valid from 15 April 2015 and the yearly increase in rent will be calculated in parallel with the rate of (PPI+CPI)/2. In 2015, total rent income was TL 35.661.459.

b) Interest Incomes

By the transactions made with Türkiye Halk Bankası A.Ş., the revenue of TL 569,249 was generated through interest income on bank deposits and TL 942,497 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.

1.1.2 Expenses

a) Bank Interest Expenses

In 2015, our Company's bank interest expense was TL 1,623,127 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 62,554 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.

c) Capitalization of expenses on investment properties and stocks

Within the scope of guarantor contracts with Türkiye Halk Bankası A.Ş. for the projects in our Company's portfolio, TL 755,147 as loan contribution payment and TL 4,792 as guarantee letter commission were paid and capitalized in the item of expenses on investment properties and stocks. 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

1.2.1 Incomes

a) Rent Incomes

Halk Sigorta A.Ş.

Our property, at the address of Akdeniz Mah. Cumhuriyet Bulvari No:45 Konak / İzmir, had been rented to Halk Sigorta A.Ş and in 2015, the total rent of TL 86,665 was collected regularly. 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 Bulvari No:45 Konak / İzmir, had been rented to Halk Hayat ve Emeklilik A.Ş and in 2015, the total rent of TL 86,665 was collected regularly. 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 2015, the total rent of TL 60,926 was collected regularly. The lease agreement was terminated with Halk Faktoring A.Ş. on 31.01.2015.

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) Other Incomes

Our Company's insurance policies for buildings, inventory and fire are covered by Halk Sigorta A.Ş., and in 2015 because of the damages in our inventories, our Company obtained the amount of annually TL 1,582 as a compensation income. In these procedures, any financial benefit to holding company or its association was not provided and our Company did not meet any loss.

Insurance policies for employee in our Company are covered by Halk Hayat ve Emeklilik A.Ş. and our Company obtained the amount of TL 9,146 as a discount income from insurance premium. In this procedure, any financial benefits to holding company or its association was not provided and our Company did not meet any loss.

HALKGYO

1.2.2 Expenses

a) Insurance Expenses

Halk Sigorta A.Ş.

In 2015, our Company's insurance expenses, covered by Halk Sigorta A.Ş., were TL 504,051 containing the insurances of building, inventory, fire and employee. TL 46,875 of total insurance expense was recorded as prepaid expenses; TL 253,911 of it was recorded as capitalized expenses on investment properties and stocks and TL 203,265 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 2015, our Company's expenses for individual pension and standard group life insurance policies, covered by Halk Hayat ve Emeklilik A.Ş. was TL 12,290. TL 5,344 of it was capitalized as prepaid expense and TL 7,646 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 Yatırım Menkul Değerler A.Ş.

Because of the actualized transactions with Halk Yatırım Menkul Değerler A.Ş., TL 3,195 was recorded as operational expense 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

Pursuant to Board decision, "Block A" (9.131 m2) of "Şekerpinar Banking Base" in Şekerpinar,Kocaeli has been leased out to Türkiye Halk Bankası A.Ş., our main shareholder, in parallel with signed goodwill agreement on 21 May 2014; and it has been rented out on a 10-year lease for monthly TL 442,625+VAT in a way to be valid from 15 April 2015 and the yearly increase in rent will be calculated in parallel with the rate of (PPI+CPI)/2.



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.

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 2015.

Although in principle REITs should take into account the appraisal value of the expert when selling or leasing real estate, they may also transact over values that are lower than the appraisal value in sales and leasing transactions. However, if the sales or leasing

transactions are carried out over values lower than appraised values, such transactions must be publicly announced as material event disclosures and included in the agenda of the first general assembly meeting to inform the shareholders.

In the contract signed with Türkiye Halk Bankası A.Ş., leasing value of Şekerpınar Banking Base Block-A had been determined lower than appraised value. Our company announced this transaction to the public via material event disclosure and in the disclosure it was also stated that transaction would be included in the agenda of the first general assembly meeting to inform the shareholders.

While drawing up the lease agreement of related property, it was regarded that both companies are publicly traded and the transactions between them are in the scope of Article 13 of Corporate Income Tax Law numbered 5520 in which stated that related parties must set the transfer prices for the purchase and sales of goods and services due to their relations. Therefore the property's rental value determined as monthly TL 442,625 which is the mean value of appraisal values of Adm Gayrimenkul Değerleme A.Ş., designated in the name of our Company, and TSKB Gayrimenkul Değerleme A.Ş. This method was convinced as the most accurate and fair method for both companies.

Related to this operating period of 2015, we declare that our Company did not experience such a loss through an action raised due to known circumstances.

FINANCIAL PERFORMANCE

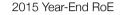
Major Financial Indicators

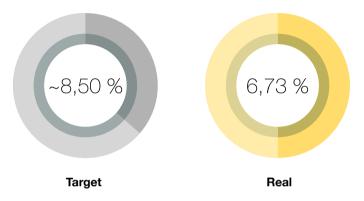
Statement Data (TL)	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
Sales Revenue	99,656,111	86,611,117
Income from Sales of Residence	55,429,807	40,356,205
Rent Income	42,071,336	29,962,463
Financial Income	2,154,968	16,292,449
Cost of Sales	(31,525,734)	(14,649,589)
Cost of Residence Sales	(26,930,338)	(11,011,823)
Other	(4,595,396)	(3,637,766)
Gross Profit	68,130,377	71,961,528
Administrative Expenses	(8,879,352)	(10,924,043)
Other Operating Incomes/Expenses	(203,993)	2,093,003
Operating Profit	59,047,032	63,130,488
Financial Expenses	(1,623,127)	(1,783,342)
Net Profit for the Period	57,423,905	61,347,146
Balance Sheet Data (TL)	31.12.2015	31.12.2014
Assets	974,715,777	928,406,666
Equities	879,448,866	827,793,895
Financial Expenses	14,746,955	16,737,916
Profitability	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
Return On Average Assets (%)	6.03	6.75
Return On Average Equities (%)	6.73	7.68
Basic Ratios	31.12.2015	31.12.2014
Financial Expenses / Equities (%)	1.68	2.02
Equities / Total Assets (%)	90.2	89.16

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2016 Targets & 2015 Realizations





In 2015, besides having concrete progress in its many projects, Our Company achieved its annual revenue to reach to TL 100 Million with the contributions of sales in current projects and also with the attained profit of TL 57 Million, its equity increased to TL 880 Million.

At the end of 2015, Our Company's ROaE realized at the level of 6.73% which had been targeted at ~8.5%. Despites of the increases in the housing sales which should have a great impact on profit, since most of their deeds, contrary to expectations, cannot be transferred by the end of 2015, they were registered in deferred incomes and therefore, ROaE realized at 6.73%.

During 2015, also concrete steps had been taken for our Company's projects. Our project of "Park Dedeman Levent Hotel" in Levent located along the Maslak-Mecidiyeköy thoroughfare which is one of the valuable districts, was completed in 2015 and in parallel with the agreement signed in 2012, it was delivered to Dedeman Resorts International Group. The hotel opened its doors in July and Our Company has started to earn a regular rental income from the Project.

The Banking Base Project rising on Şekerpınar/ Kocaeli and comprising two blocks, "Block A" construction has been completed and delivered to our main shareholder, Türkiye Halk Bankası and "Block B" of which construction continues is aimed to be completed in 2016 and to be leased out.

The sales and deed transfers are still continue in "Referans Bakırköy" and "Eskişehir Panorama Plus" Residential Projects which provided big contribution in 2015 income and profit, and for the remaining deed transfers, it is forecasted to be completed in 2016. The sales in "Bizimtepe Aydos" Residential Project, which begun in 2015, will be continue in 2016.

Within the vision of efficient portfolio management, it is planned to convert "Salıpazarı Building" into a hotel in 2016 in the line with renovation decision taken.

After tendering for prime contractor, it is also projected to start the construction of 46-storey and 36-storey towers as well as 3 building, each consisting of 8 storeys, in "İstanbul Finance Center Project" of which construction permits were obtained in 2015.

Plus these developments and targets, our all properties located in distinguished districts will be utilized in parallel with our efficient portfolio management vision. By the end of 2016, we are aiming to reach to ~6.5% ROaE with the contribution of new projects in growth and profitability besides ongoing and planned ones.

HALKGYO

DETAILS OF THE ASSETS AND RIGHTS IN THE PORTFOLIO

Real Estate Statement (As of 31.12.2015)

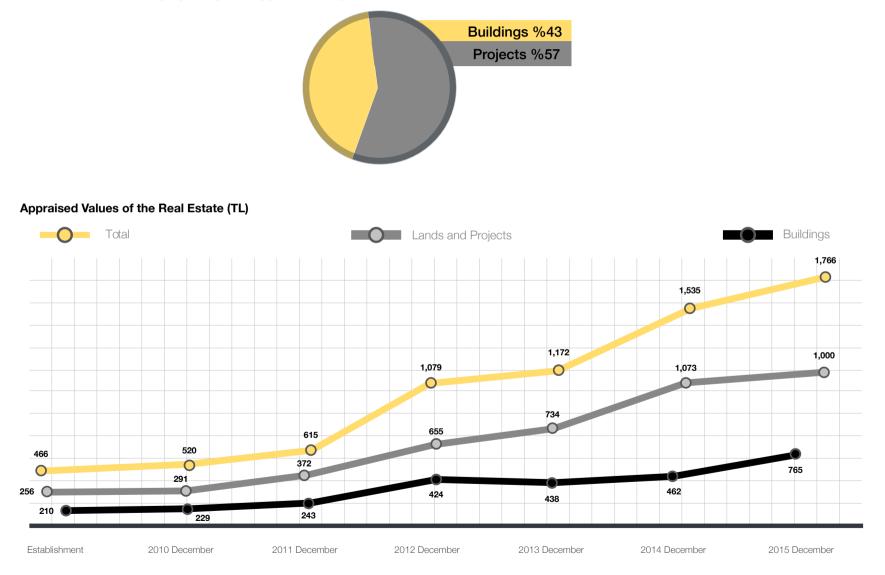
Real Estates And Real Estate Projects	Acquisition Date	2015 December Book Value (TL)	Last Appraiser's Report Date	*Appraisal Value at the End of 2015 (TL)
Projects				
İstanbul Finance Center Project	28.10.2010	269,326,546	19.11.2015	¹ 660,825,000
Bizimtepe Aydos Residential Project	16.10.2014	² 65,311,991	09.11.2015	229,667,829
Şekerpınar Banking Base Project-Block B	11.09.2012	36,367,976	07.12.2015	75,103,257
Eskişehir Panorama Plus Residential Project	24.01.2012	² 22,591,755	02.10.2015	³ 23,804,410
Referans Bakırköy Residential Project	09.09.2011	² 10,061,154	30.11.2015	³ 9,963,650
Total		403,659,422		999,364,146
Buildings				
İstanbul, Halkbank Finans Tower	29.12.2011	124,271,251	16.11.2015	205,350,000
Park Dedeman Levent Hotel	28.10.2010	90,530,815	07.12.2015	150,000,000
Şekerpınar Banking Base-Block A	11.09.2012	66,979,536	07.12.2015	82,521,600
İstanbul Salıpazarı Building	28.10.2010	21,642,511	30.11.2015	46,680,000
İstanbul Karaköy Building	28.10.2010	23,301,250	26.11.2015	30,000,000
İstanbul Beyoğlu Building	28.10.2010	11,931,036	16.12.2015	22,000,000
İstanbul Bakırköy Building	28.10.2010	8,926,794	14.10.2015	21,400,000
İzmir, Konak Building 1	28.10.2010	13,066,312	20.11.2015	21,380,000
İstanbul Etiler Building	28.10.2010	10,936,713	25.11.2015	16,500,000
Ankara Kızılay Building	28.10.2010	12,309,617	18.12.2015	16,310,000
İstanbul Caddebostan Building	28.10.2010	5,964,241	02.11.2015	16,255,000
İstanbul Beşiktaş Building	28.10.2010	11,802,773	25.11.2015	16,165,000
İstanbul Şişli Building	28.10.2010	10,802,228	25.11.2015	14,300,000
İzmir Konak Building 2	28.10.2010	10,148,686	20.11.2015	13,470,000
Bursa Building	28.10.2010	8,384,796	03.12.2015	11,960,000
Ankara Başkent Building	28.10.2010	9,440,938	18.12.2015	11,775,000
İstanbul Ataköy Building	28.10.2010	4,966,158	26.11.2015	10,860,000
Kocaeli Building	28.10.2010	6,448,408	26.10.2015	10,200,000
İstanbul Fatih Building	28.10.2010	6,259,868	26.11.2015	10,000,000
Ankara Bahçelievler Building 1	28.10.2010	6,531,941	18.12.2015	9,150,000
Sakarya Adapazarı Building	28.10.2010	5,884,053	09.10.2015	9,030,000
İstanbul Nişantaşı Building	28.10.2010	4,965,408	24.11.2015	8,300,000
Ankara Bahçelievler Building 2	28.10.2010	5,635,268	18.12.2015	7,825,000
Eskişehir Panorama Plus Block D	24.01.2012	1,634,061	02.10.2015	4,177,025
Eskişehir Panorama Plus Block B	24.01.2012	641,997	02.10.2015	649,863
Total		486,941,687		766,258,488
Total real estate value		890,601,109		1,765,622,634

* Appraisal values are the final values in the appraisal reports
1- Land value
2- The Residential Projects of Bizimtepe Aydos, Referans Bakırköy and Panorama Plus are followed with their book value in the stock account.
3- Total values of unsold in each of related projects as of year-end.

HALKGYO



Real Estate Distribution (Regarding Last Appraisal Value)



Details of Leased Real Estates

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

Real Estate With Rental Income	Leased By	Intended Use	Total Rental Price For 12 Months
Halkbank Finance Tower	T. Halkbank A.Ş.	Head Office	15,371,200
Park Dedeman Levent Hotel	Dedeman Group	Hotel Building	*4,819,077
Karaköy Building	T. Halkbank A.Ş Halk Faktoring	Bank Brunch	1,380,406
Beyoğlu Building	T. Halkbank A.Ş Undersecreteriat of Treasury	Bank Brunch	1,330,941
Bakırköy Building	T. Halkbank A.Ş.	Bank Brunch	1,240,450
Beşiktaş Building	T. Halkbank A.Ş.	Bank Brunch	1,084,628
Etiler Building	T. Halkbank A.Ş.	Bank Brunch	972,360
Şişli Building	T. Halkbank A.Ş.	Bank Brunch	970,360
Salıpazarı Building	T. Halkbank A.Ş Sapaz Otelcilik	Bank Brunch - Hotel Building	749,106
Ataköy Building	T. Halkbank A.Ş.	Bank Brunch	708,558
Caddebostan Building	T. Halkbank A.Ş.	Bank Brunch	614,350
Fatih Building	T. Halkbank A.Ş.	Bank Brunch	548,998
Nişantaşı Building	T. Halkbank A.Ş.	Bank Brunch	492,180
Kızılay Building	T. Halkbank A.Ş.	Bank Brunch	1,224,831
Başkent Building	T. Halkbank A.Ş Ceda Akaryakıt	Bank Brunch - Hotel Building	1,047,037
Bahçelievler Building 1	T. Halkbank A.Ş.	Bank Brunch	669,246
Bahçelievler Building 2	Koton	Store	622,198
Bursa Building	T. Halkbank A.Ş.	Bank Brunch	787,082
Kocaeli Building	T. Halkbank A.Ş.	Bank Brunch	820,300
Sakarya Adapazarı Building	T. Halkbank A.Ş.	Bank Brunch	741,436
Konak Building 1	T. Halkbank A.Ş.	Bank Brunch	1,244,056
Konak Building 2	T. Halkbank A.Ş Halk Emeklilik - Halk Sigorta	Bank Brunch	872,711
Eskişehir Panorama Plus Commercial Unit	Migros Ticaret A.Ş.	Supermarket	**20,534
Eskişehir Panorama Plus Commercial Unit	Zülfiye Dilşad Dumlupınar	Store	**12,000
Şekerpınar Banking Base-Block A	T. Halkbank A.Ş.	Data Center	***3,762,312
Total			42,106,357

Park Dedeman Levent Hotel opened its doors in July, and it is the rental value for 6 months.

* 2 commercial units in Eskişehir Panorama Plus Project were rented out in November and the values are the rental prices for 2 months.

*** Banking Base- Block A in Sekerpinar has been completed and leased out on 15 April. The value is the rental price paid retroactively for the period started 15 April and ended 31 Decembe

Our Company's Affiliated Companies and Subsidiaries & Joint Activities

Our company does not have any affiliated companies and subsidiaries as of December 31, 2015.

Company signed joint venture contract with Vakıf GYO on 4 September 2014. Halk GYO-Vakıf GYO Adi Ortaklığı has founded in Turkey for operating as a joint venture with 50% shares and 50% voting right. Share of the Company in the joint venture is as follows:

Shares in Joint Activities	31 December 2015	31 December 2014
Halk GYO - Vakıf GYO Adi Ortaklığı	50%	50%

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

	31 December 2015	31 December 2014
Long-term Assets	20,707,816	9,901,360
Current Assets	72,250,814	60,162,805
Short-Term Liabilities	(630,357)	(369)
Long-Term Liabilities	(32,939,539)	
Net Assets		70,063,796

	01 January - 31 December 2015	01 January - 31 December 2014
Incomes		65,216
Expenses		
Net Profit		65,216

Monetary and Capital Market Instruments

	31 December 2015	31 December 2014
Banks-Demand Deposits	15,245,167	7,902,288
Banks-Time Deposits	393,560	424,195
Reverse Repo		
Other Liquid Assets(*)	797,731	331,778
Cash and cash equivalents in the statement of financial position	16,436,458	8,658,261
Interest Income Accruals on Cash Equivalents		
Cash and cash equivalents in the statement of cash flows	16,436,458	8,658,261

(*) As at 31 December 2015 and 31 December 2014, other liquid assets consist of credit card receivables from the sales of residential unit of Bakırköy Project, Eskişehir Project and Bizimtepe Aydos Project.

As at 31 December 2015, the details of time deposits at banks are as follows:

31 December 2015	Amount	Nominal interest rate (%)	Maturity
Time deposits			
TL	8,538,599	12.75	19.01.2016
TL	2,004,192	12.75	28.01.2016
TL	4,573,574	8.00	04.01.2016
TL	128,802	9.00	04.01.2016
Total			







COMPLETED PROJECTS





Province	İstanbul
District	Şişli / Levent
Book Value in 2015, December	90.5 Million TL
Last Appraisal Value in 2015, December	150 Million TL

Park Dedeman Levent Hotel of which construction has been completed is the first hospitality project on Halk GYO's portfolio. It will meet the much felt need for business hotels on Mecidiyeköy-Maslak line in Istanbul, as a great example among city hotels with its architect and location.

The project is aimed to be an environmentally friendly building and awarded with "LEED GOLD" certificate.

In parallel with 10-year lease agreement signed with Dedeman Group as part of their Dedeman Park concept chain, the hotel has been delivered to Dedeman Group and opened its doors in July, 2015.



REFERANS BAKIRKÖY

Province	İstanbul
District	Bakırköy
Book Value in 2015, December	10 Million TL
Last Appraisal Value in 2015, December (For Unsold Units)	9.9 Million TL
Halk GYO Shares	50.5 %
Contractor	Biskon Yapı A.Ş.

Referans Bakırköy Project is registered to Bakırköy/İstanbul neighbourhood with 1224 block - 2 plot and 1225 block - 1 plot. The Project in which sales continue is developed based on revenue sharing model with Biskon Yapı A.Ş., an association of Kiler Holding.

As at 31 December 2015, in the Project which include up to totally 327 independent units containing 254 residential and 73 commercial, the sales revenue has been reached to the amount of TL 198.6 million with the sales of 288 independent units and the deed transfer process of 212 independent units amounted TL 150.8 million has been completed, in total.









ESKİŞEHİR PANORAMA PLUS

Province	Eskişehir
District	Odunpazarı
Book Value in 2015, December	22.5 Million TL
Last Appraisal Value in 2015, December (For Unsold Units)	28.6 Million TL

Being developed on an area of 9,811 sqm in Odunpazarı/Eskişehir, Panorama Plus Project consists of totally 102 independent units containing 97 residential and 5 commercial.

In the Project which launched in November 2013, the revenue was at the amount of TL 25,3 mn with the sales of 58 independent units (57 residences + 1 commercial) and the deed transfer process of 46 independent units amounted TL 19,6 mn completed. Also two of the four remaining commercial units have been leased out.

Panorama Plus is the first project which has "LEED Silver Certification" with the highest score in Eskişehir, in line with works for sustainability carried out by USGBC(United States Green Building Council)



ŞEKERPINAR BANKING BASE – BLOCK A

Province	Kocaeli
District	Şekerpınar
Book Value in 2015, December	66.9 Million TL
Last Appraisal Value in 2015, December	82.5 Million TL

"Banking Base" project added to the portfolio in 2012, consists of two blocks, which rise on a land of 15,652 sqm, in Koceli, Şekerpinar. The project will be a technologically response to the all needs of a bank with its usage area and substructure. Plus storage, call center, data center and training units; a guesthouse and social areas will be included in the Center.

Construction of Block A which set on a total area of 9,131 sqm, has been completed and delivered to our main shareholder, Halk Bank, after the occupancy permissions get granted.

The project is aimed to be an environmentally friendly building and Block A received a certificate of "LEED GOLD".











ONGOING PROJECTS



İSTANBUL INTERNATIONAL FINANCE CENTER PROJECT

LKBANK

ALL DEPENDENT

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Province	İstanbul
District	Ümraniye
Gross Area	28,732 m ²
Total Construction Area	409,883 m ²
Book Value in 2015, December	269.3 Million TL
Last Appraisal Value in 2015, December	660.8 Million TL

As Halk GYO, we are one of the major stakeholders of the Istanbul International Finance Center Project carried out under the coordination of the Ministry of Environment and Urban Planning and we will build two office towers, one with 46 floors and the other with 34 floors and also 3 buildings each with 8 floors. Upon completion the project will significantly meet a much felt need for Class A office spaces to the global standards in the Istanbul real estate market. A "Agreement and Protocol Text" has been signed with Ministry of Environment and Urban Planning whih includes matters relating to the implementation stage. The project will serve as a hub for the state banks of Turkey, such as Halkbank, Vakıfbank, Ziraatbank, as well as financial institutions, such as Banking Regulation and Supervision Agency (BRSA) and Capital Markets Board (CMB).

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, the construction permits for the Project was granted.



ŞEKERPINAR BANKING BASE PROJECT – BLOCK B

Province	Kocaeli
District	Şekerpınar
Cost Value in 2015, December	36.3 Million TL
Last Appraisal Value in 2015, December	75.1 Million TL

"Banking Base" project added to the portfolio in 2012, consists of two blocks, which rise on a land of 15,652 sqm, in Koceli, Şekerpinar. The project will be a technologically response to the all needs of a bank with its usage area and substructure. Plus storage, call center, data center and training units; a guesthouse and social areas will be included in the Center.

The construction works of Block B developed on a total area of 51,795.35 sqm still continues.









BİZİMTEPE AYDOS RESIDENTIAL PROJECT

Province	İstanbul
District	Sancaktepe
Cost Value in 2015, December	65.3 Million TL
Last Appraisal Value in 2015, December	229.6 Million TL
Halk GYO Shares	50%

4

Bizimtepe Aydos Project located in Sancaktepe, one of the most popular and developing districts of Istanbul, is being constructed through joint venture with Vakif REIT.

On the 95k sqm land, after leaving 90% of it for landscape, it is planning to build 13-storey 17 blocks (total 1037 units) with the flat types of 2+1, 3+1, 4+1, besides hobby gardens, bicycle and running tracks, arbors and ponds, grass amphitheatres and commercial units consisting private kindergarten and market.

With the catch-phrase of "Happiness Begins at Home", sales have begun on the Project which will be the response to the house demand resulting from IFC.





PLANNED PROJECTS



SALIPAZARI HOTEL PROJECT

Province	İstanbul
District	Beyoğlu
Book Value in 2015, December	21.6 Million TL
Last Appraisal Value in 2015, December	46.7 Million TL

Aiming to be utilized from our portfolio in the most efficient way, the best use and feasibility studies have been done for our Salıpazarı Building, which is registered in Beyoğlu District, İstanbul. After the best use studies, it was decided to renovate the Building as a hotel and to lease for a long period.

After the procedures of sealed-bid tender and auction, lease contract has been signed with Beril Otelcilik Turizm Ltd.Şti., who offered the best bid.

According to related lease contract; the expenditure of the renovation up to TL 15 million will be financed by our Company. Beril Otelcilik Turizm Ticaret Ltd.Şti. will pay monthly Euro 10,000 during 12-month renovation period and after the completion of renovation, the total lease for 20 years will be Euro 34,350,000.



Details of Portfolio Restrictions

	Financial Statement Primary Accounts Items	Regulations			31.12.2015 (TL)	31.12.2014 (TL)
<u>A</u>	Monetary and Capital Market Instruments	Serial: III-48.1, Article 24/(b)			16,436,458	46,587,030
В	Real estates, based on Real Estates, Rights based on Real Estates	Serial: III-48.1, Article 24/(a)			887,066,081	816,622,098
С	Subsidiaries	Serial: III-48.1, Article 24/(b)				
	Due from related parties (non-trade)	Serial: III-48.1, Article 23/(f)				
	Other assets				71,213,238	65,197,538
D	Total Assets	Serial: III-48.1, Article 3/(k)			974,715,777	928,406,666
E	Loans and borrowings	Serial: III-48.1, Article 31			14,746,955	16,737,916
F	Other financial liabilities	Serial: III-48.1, Article 31				
G	Financial leasing obligation	Serial: III-48.1, Article 31				
н	Due to related parties (non-trade)	Serial: III-48.1, Article 23/(f)				
i	Equity	Serial: III-48.1, Article 31			879,448,866	827,793,895
	Other liabilities				80,519,956	83,874,855
D	Total liabilities and equity	Serial: III-48.1, Article 3/(k)			974,715,777	928,406,666
	Other Financial Information	Relevant Regulation			31.12.2015 (TL)	31.12.2014 (TL)
<u>A1</u>	Financial Markets Instruments held for three years payment of Real Estates	Serial: III-48.1, Article 24/(b)				
<u>A2</u>	Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article 24/(b)			15,638,727	8,326,483
<u>A</u> 3	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)				
<u>C1</u>	Foreign Subsidiaries	Serial: III-48.1, Article 24/(d)				
<u>C2</u>	Subsidiaries	Serial: III-48.1, Article 28				
J	Non-cash loans	Serial: III-48.1, Article 31			99,807,018	849,009
K	Mortgage Amounts on Land that Project to be Developed and the Ownership Does Not Belong the Partnership	Serial: III-48.1, Article 22/(e)				
	Portfolio Restrictions	Regulations	Calculation	Min/Max Rate	31.12.2015 (TL)	31.12.2014(TL)
	Mortgage Amounts on Land that Project to be Developed and the Ownership Does Not Belong the Partnership	Serial: III-48.1, Article 22/(e)	K/D	Maximum %10		
2	Real estates, based on Real Estates, Rights based on Real Estates	Serial: III-48.1, Article 24/(a),(b)	(B+A1)/D	Minimum %51	91.01%	87.96%
3	Monetary and Capital Market Instruments	Serial: III-48.1, Article 24/(b)	(A+C-A1)/D	Maximum %49	1.69%	5.02%
_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	Maximum %49		
5	Idle Land	Serial: III-48.1, Article 24/(c)	B2/D	Maximum %20		
6	Subsidiaries	Serial: III-48.1, Article 28	C2/D	Maximum %10		
	Borrowing Limit	Serial: III-48.1, Article 31	(E+F+G+H+J)/İ	Maximum %500	13.03%	2.12%
	Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article 24/(b)	(A2-A1)/D	Maximum %10	1.60%	0.90%

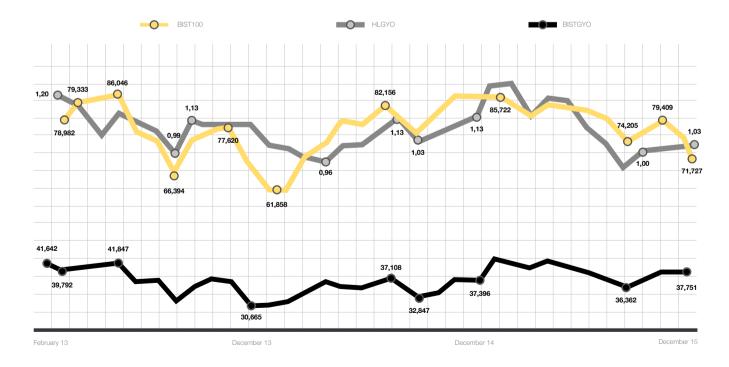


BIST PERFORMANCE

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 2015, December	Number	Rate (%)	Market Value (TL)
Closing Price			1,03
Total Shares	743,000,000		765,290,000
Public Shares	208,039,944	28.00	214,281,143
Shares in Actual Circulations	134,601,102	18.12	138,639,135
HALKBANK Shares Received from BIST	52,492,058	7.06	54,066,820
HALKGYO Shares Received from BIST	20,946,784	2.82	21,575,187

At the end of 2015, BIST 100 Index yearly decreased by 16.3% while REIT Index yearly increased by 0.95%. Our company's value per share decreased by 8.9% and to TL 1.03 and total turnover index of 12 months increased by 20% and realized at 972.1 Million TL.



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 Firr

Akis Bagimsiz Denetim ve Serbest Muhasebeci Mali Muşavirlik 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 Adım Gayrimenkul Değerleme A.Ş. ve Vakıf Gayrimenkul Değerleme A.Ş.

Press and Public Relations PR Agency

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

Advertising Agency

M&G Reklam Hizmetler

Project Marketing and Consulting Company

Aremas 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 39, as of 31.12.2015. (31.12.2014: 40)

The organizational structure of our Company is provided figure:

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

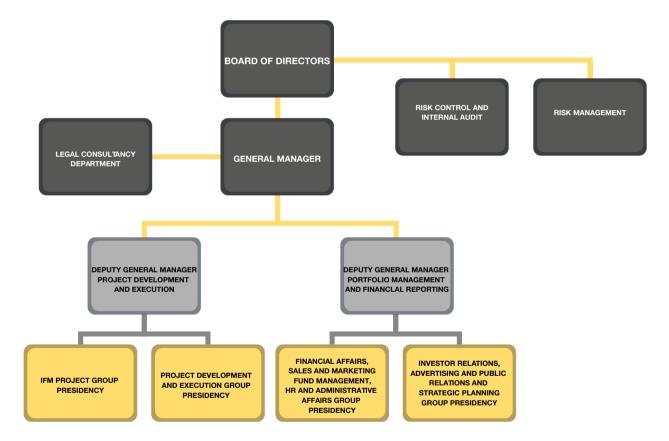
There were not any donations and contributions having been granted within the period.

Performed Researches and Development Activities

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

Developments in Investments and Status of Benefits from Incentives

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



SUBSEQUENT EVENTS

Pursuant to 2nd paragraph of 35th Article of Serial III No:48-1 "Communiqué of Principles Regarding Real Estate Investment Trusts" about "Selection of Real Estate Apraisal Company", Board of Members' decisions, dated 27.01.2016 are that service for the valuation of each asset in our portfolio as of 2016 will be obtained from "A Artı Bir Gayrimenkul Değerleme A.Ş." and service for the valuation of the assets that will be purchased and require valuation during the year 2016, will be obtained from "A Artı Bir Gayrimenkul Değerleme A.Ş."

In the Board meeting dated 09.03.2016, it was determined that 2016 General Assembly to be held on 06.04.2016 in the headquarter of the Company. The relevant topics of the agenda and 2015 distribution dividend table have been disclosed to public.

Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

Agenda Of The Ordinary General Assembly Meeting 2015

- 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 2015,
- 3 Reading, discussion and approval of the balance sheets and profit/loss accounts for the 2015 financial and fiscal year,
- 4 The assignment to the Board Member submitted for approval to the General Assembly, by the Board of Directors, according to the Paragraph 1 of Article 363 of the Turkish Commercial Code, during the period,
- 5 Discharging of the Board Members from liabilities in 2015,
- 6 Discussing and deciding about the Board of Directors' proposal for the distribution of 2015 operating profits,
- 7 Election of the Board Members and determining the term of their service,
- 8 Informing General Assembly about remuneration policies regulated for Board Members and Executives pursuant to Article 4.6.2 of the Corporate Governance Principles issued by the Capital Markets Board of Turkey and determining the remuneration of the Board Members,
- 9 Election of the Auditors,
- 10 Informing about operations with related party in 2015 according to the regulations of Capital Markets Board of Turkey (CMB),
- 11 Authorization of the Board of Directors to permit the members of the Board of Directors to engage in activities mentioned in Article 395 and Article 396 of the Turkish Commercial Code,
- 12 Informing the General Assembly by regarding Corporate Governance Principles' 1.3.6 article of CMB,
- 13 Wishes, requests and closing.

Halk Gayrimenkul Yatırım Ortaklığı A.Ş. Profit Distribution For The Year 2015 (TL)

Profit Distribution For The Year 2015 (TL)		
1. Paid-In / Issued Capital		743,000,000,00
2. General Legal Reserves (Based on the Legal Records)		8,024,067,39
Information regarding privileges in profit distribution, if any, according to the Articles of Association		0,00
	Based on Capital Markets Board	Based on Legal Records
3. Profit for the Period	57,423,905,00	61,509,099,25
4. Taxes (-)		
5. Net Profit for the Period (=)	57,423,905,00	61,509,099,25
6. Former Year Losses (-)		
7 General Legal Reserve (-)	3,075,454,96	3,075,454,96
8. Net Distributable Profit For the Period (=)	54,348,450,04	58,433,644,29
9. Donations Given within the year (+)		
10. Net Distributable Current-Year Profit Including donation for distribution of first divindend	54,348,450,04	
11. First Shareholders Dividend	52,423,900,00	
- Cash	5,423,900,00	
- Bonus	47,000,000,00	
- Total	52,423,900,00	
12. Dividends For Preferred Shareholders		
13. Dividends For Board of Directors, Personnel etc.	502,092,03	
14. Dividends For Owners of Usufruct Shares		
15. Second Dividend For Shareholders		
16. Second Legal Reserves	1,577,599,20	
17. Statuary Reserves		
18. Special Reserves		
19. Extraordinary Reserves	346,950,83	4,432,145,08
20. Orher Sources Planned For Distribution		
- Retained Earnings		
- Extraordinary Reserves		
- Other Reserves Distributable According to the Law and Articles Of Association		

INFORMATION REGARDING TOTAL DISTRIBUTED DIVIDEND RATIO

Oraun		Total Divide	nd Amount	Total Dividend Amount / Net Distributable Dividend Amount (TL) Ratio (%)	Dividend Per Share Value	d TL 1.00 Amount (TL)
	Group	Cash (TL)	Bonus (TL)	Ratio (%)	Amount (TL)	Ratio (%)
Net	А	87,748.296	760,369.831	1.56052%	0.0705571	7.05571
	В	5,336,151.704	46,239,630.169	94.89835%	0.0705571	7.05571
	Total	5,423,900.000	47,000,000.000	96.45887%	0.0705571	7.05571

1) Dividends to be distributed to the personnel were included in the net profit of the year 2015 by setting aside provisions and therefore were not subject to the dividend payout. It has been shown in the table for informative purposes only. 2) Procedures and principles of the dividend to be distributed to the General Manager will be determined by Board of the Directors.

3) Within the scope of "TAS 19-Employee Benefits", it is offered the dividends to be distributed to the employees and General Manager shall be provided from liability reserve. The subjected amount was included in second legal reserve of the year 2015 by setting aside provisions and therefore were not subject to the dividend payout. It has been shown in the table for informative purposes only.



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 Investor Relations Directorate under the Investor Relations & Strategic Planning & Advertising PR Group Presidency 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 Advertising PR and a member of Corporate Governance Committee. He has the all necessary licenses of CMB.



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

Name	Title	Telephone	E-mail	License
Uğur GÜNEY	Group President	0216 600 1025	ugur.guney@halkgyo.com.tr	Advanced Level / Corporate Governance Rating License / Real Estate Appraisal License /Credit Rating Licence
Serpil YÖRÜK	Manager	0216 600 1033	serpil.yoruk@halkgyo.com.tr	Advanced Level / Corporate Governance Rating License / Real Estate Appraisal License / Derivatives License
M. Erhan ÇELEBİ	Assistant Spec.	0216 600 1006	mustafaerhan.celebi@halkgyo.com.tr	Advanced Level / Corporate Governance Rating License
E. Melis BULAK	Assistant Spec.	0216 600 1015	eylulmelis.bulak@halkgyo.com.tr	

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, except for the confidential information and/or trade secrets which are not publicly disclosed,

- 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

Investor Relations Directorate also take responsibilities for the duties stated as 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 2015, more than 100 guestions received from the individual investors via telephone and e-mail was replied by the IR Team, and totally 35 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 highestlevel 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 2014 made on 17 April 2015 in the Company centre with 79.65% attendance, of which 79,81% were acting as proxies and 0.16% 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 2014 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 2014 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.

The amendments, regarding related regulations, of the Article 8-"Capital and Shares" for extension of the validity period of the registered capital ceiling and of the Article 16-"Special Decisions" in Articles of Association, were brought to shareholders information and confirmed.

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. Under the Company's Donations Policy, the donation budget allocated for the Company's donations during 2015 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 amount and 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 743,000,000 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, 12,020,315 shares constitute A group shares and 730,979,685 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, 2014. 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 2014 has been distributed to the shareholders as bonus shares by % 84.52- TL 45,100,000 and in cash % 11,17- TL 5,960,066 (on April 21,2015) 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. Investor Relations Unit is responsible for supervising and tracking the Information Policy.

In 2014 Annual Report, for the subject of future expectations disclosure to public, the prediction of "Return on Equity will be 8.5% by the end of 2015" was made. It was disclosed to public that this forecast had accrued or not under the related topic in 2015 Annual Report.

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 2015, a total of 4 annual reports had been issued by our Company at each quarter and 6 press bulletins had been published and 92 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 6 non-executive members including two independent members. There is no female member in the 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
R. Süleyman ÖZDİL	Chairman Of The Board	Bank Employee	-	Türkiye Halk Bankasi A.Ş. Chairman Of The Board			August 2015	Non-Executive Member / Not Independent Member
Ahmet YARIZ	Vice Chairman Of The Board	Bank Employee	Member Of The Board	Türkiye Halk Bankasi A.ş. Member Of The Board			April 2015	Non-Executive Member / Not Independent Member
Yunus KARAN	Member Of The Board	Bank Employee	Independent Member Of The Board	Türkiye Halk Bankasi A.ş. Member Of The Board			April 2015	Non-Executive Member / Not Independent Member
Osman BEKTAŞ	Member Of The Board	Bank Employee		Türkiye Halk Bankasi A.ş Department Head			April 2015	Non-Executive Member / Not Independent Member
Yüksel GÖRGEÇ	Member Of The Board	Bank Employee	Member Of The Board				April 2015	Independent Member
Yahya BAYRAKTAR	Member Of The Board	Bank Employee	Member Of The Board	Vakif B Tipi Menkul Kiymetler Yo A.ş. Independent Member Of The Board			April 2015	Independent Member

Executives

Şeref AKGÜL Deuputy General Bank Employee General Manager -- -- April 2015 Deputy Maneger

In the reporting year, Osman BEKTAŞ, has been assigned as Board Member in the General Assembly on 17 April 2015.

After Mr. Kazım Şimşek resignation resulting from retirement on 30 April 2015, Company vice General Manager, Mr. Şeref Akgül, has been assigned as Deputy General Manager.

Because of the health problems, previous Chairman, Mr. Hasan Cebeci, resigned voluntarily from his duty on 27.07.2015 and it was unanimously decided Mr. R. Süleyman ÖZDİL be assigned instead to hold the chairmanship of Board Of Directors on 31.08.2015 and it will be submitted on next General Assembly for approval.

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. Independence Statements of the Independence Members has been included in 2015 Annual Report.

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 2015.

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

HALKGYO



R. Süleyman ÖZDİL - Chairman

Recep Suleyman Özdil was born in İstanbul in 1961. He graduated from Ankara University Faculty of Political Science, Department of Economics. After beginning his professional career as an Auditor at a private company in 1984, Özdil served as a Specialist, Assistant Manager and Branch Manager at Albaraka Türk Özel Finans Kurumu A.Ş. in the years from 1986 to 1993. He worked as a Finance Coordinator at a private company between 1993 and 1995 before performing his duties as Assistant General Manager at Ihlas Finans Kurumu A.Ş. from 1995 to 2001 and at Family Finans Kurumu A.Ş. from 2001 to 2005. Özdil served as board member and General Manager at Birleşik Fon Bankası A.Ş. from 2005 till 2011, and as a board member of the Savings Deposit Insurance Fund between 2011 and 2014. He has been Chairman of Board at T. Halk Bankası A.Ş. since 28.08.2015 and Halk Gayrimenkul Yatırım Ortaklığı A.Ş. since 31.08.2015.



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. Yarız 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, Istanbul 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.

Osman BEKTAŞ - Member

Mr. Bektaş was born in Manisa in 1971. He graduated respectively from Ankara University Academy of Politics and Commercial Sciences in 1992 and Ziraat Bank School of Banking in 1993. Between the years of 1993 – November 2014, he worked for Ziraat Bank Planning, Budget and Control Directorship, for Eskişehir Esbank Committee of Inspection as an inspector, as Senior Inspector of the Committee of Inspection of Toprakbank and as Head of Loan Tracking in Ziraat Leasing. Bektaş who started working in Directorate of Support Services in November 2014 also works as General Director of Construction and Expertise in Halk Bank. Between the dates of November 2014 - April 2015 he worked as Board Member of Halk Investment Securities. Besides being a Board member in Türk P&I Investment Securities, Mr. Bektaş has been serving as Board Member of Halk Gayrimenkul Yatırım Ortaklığı A.S since 17.04.2015.

Yüksel GÖRGEÇ - Independent Member

e 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 Turk 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. 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 2015, the Board of Directors of the Company has convened for 22 times and made 43 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 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 except Remuneration Committee convened at least once in a year.

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:

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 / Executive
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 6 non-executive members as specified in the Article 15, and 2 members hold the status of independent member of the Board of Directors. As it is required to have at least one independent member in the committees as per the relevant legislation, a member of the board of directors is assigned in more than one committee within the current organization. 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 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 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 9 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 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 2015.



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. 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 832,223 as of the end of 2015.





Summary Appraiser's Reports For The Assets

ANDS AND PROJECTS



İSTANBUL FINANCE CENTER PROJECT

Date Of Report	19.11.2015
Report No	597956
Date Of Appraisal	18.11.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-20
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 660,825,000



ŞEKERPINAR BANKING BASE PROJECT B BLOCK

Date Of Report	07.12.2015
Report No	2015 - 278
Date Of Appraisal	03.12.2015
Date Of Reference Contract	02.11.2015
Reference Contract No	2015-278
Short Description Of Appraised Real Estate	Parcel No.26 and Block No.420, District of Çayırova, Quarter of Şekerpınar, Kocaeli
Appraised Value (Precedent)	(VAT excluded) TL 75,103,257





ISTANBUL BIZIMTEPE AYDOS RESIDENTIAL PROJECT

Date Of Report	09.11.2015
Report No	2015_277
Date Of Appraisal	04.11.2015
Date Of Reference Contract	02.11.2015
Reference Contract No	2015 - 000 - 02
Short Description Of Appraised Real Estate	Parcel No.36, Block No.8085 District of Sancaktepe İstanbul-Residence Project.
Appraised Value (Precedent)	(VAT excluded) TL 229,667,829



REFERANS BAKIRKÖY KONUT PROJESİ

Date Of Report	30.11.2015
Report No	2015_HALKGYO_279
Date Of Appraisal	25.11.2015
Date Of Reference Contract	02.11.2015
Reference Contract No	2015-05
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 Project.
Appraised Value (for unsold independent units)	(VAT excluded) TL 9,963,650



ESKİŞEHİR PANORAMA PLUS RESIDENTIAL PROJECT

Date Of Report	02.10.2015
Report No	2015_235
Date Of Appraisal	29.09.2015
Date Of Reference Contract	28.09.2015
Reference Contract No	2015/23 - 20
Short Description Of Appraised Real Estate	The project located in Odunpazarı/Eskişehir and consisting of 97 residential units and 5 commercial units
Appraised Value (for unsold independent units)	(VAT excluded) TL 28,631,298

BUILDINGS



İSTANBUL HALKBANK FINANCE TOWER

Date Of Report	16.11.2015
Report No	597928
Date Of Appraisal	11.11.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-2
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 Istanbul, District of Ataşehir, Quarter of Küçukbakkalköy.
Appraised Value	(VAT excluded) TL 205,350,000



İSTANBUL PARK DEDEMAN LEVENT HOTEL BUILDING

Date Of Report	07.12.2015
Report No	2015_HALKGYO_281
Date Of Appraisal	03.12.2015
Date Of Reference Contract	02.11.2015
Reference Contract No	
Short Description Of Appraised Real Estate	İstanbul İli, Şişli İlçesinde, Mecidiyeköy Mahallesi, 1957 ada, 6 parsel numarasında kayıtlı 2.721,02 m² yüz ölçüme sahip arsadır.
Appraised Value (Ptrecedent)	(VAT excluded) TL 150,000,000



ŞEKERPINAR BANKING BASE A BLOCK

Date Of Report	07.12.2015
Report No	2015-278
Date Of Appraisal	03.12.2015
Date Of Reference Contract	02.12.2015 5
Reference Contract No	2015-278
Short Description Of Appraised Real Estate	Province of Kocaeli, District of Çayırova, Village of Şekerpınar, Plot No. G22B19A1B, Block No. 420, Parcel No. 26
Appraised Value (Ptrecedent)	(VAT excluded) TL 82,521,600



ISTANBUL SALIPAZARI BUILDING

Date Of Report	30.11.2015
Report No	HLKGYO-0280
Date Of Appraisal	25.11.2015
Date Of Reference Contract	2.11.2015
Reference Contract No	HLKGYO-0280
Short Description Of Appraised Real Estate	Office building with 1 basement floor + ground floors+ 7 normal floors + 1 penthouse registered under the Plot No. 138, Block No. 57, Parcel No. 14, Province of İstanbul, District of Beyoğlu, Quarter of Kılıçali (Halk Bank Salıpazarı Branch and Head Office Additional Service Building)
Appraised Value	(VAT excluded) TL 46,680,000





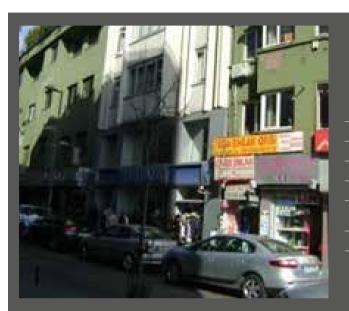
İSTANBUL ATAKÖY BUILDING

Date Of Report	26.11.2015
Report No	597938
Date Of Appraisal	24.11.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015-23/8
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 m ² .
Appraised Value	(VAT excluded) TL 10,860,000



İSTANBUL BEYOĞLU BUILDING

Date Of Report	16.12.2015
Report No	597942
Date Of Appraisal	23.11.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-11
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+groun floor+ mezzanine floor+ 6 normal floors and 9 independent sections located in the Block No. 338, Parcel No. 8, Province of Istanbul, District of Beyoğlu, Quarter of Hüseyinağa.
Appraised Value	(VAT excluded) TL 22,000,000



İSTANBUL BEŞİKTAŞ BUILDING

Date Of Report	25.11.2015
Report No	597940
Date Of Appraisal	20.11.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-10
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	(VAT excluded) TL 16,165,000



İSTANBUL BAKIRKÖY BUILDING

Date Of Report	14.10.2015
Report No	597939
Date Of Appraisal	08.12.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-9
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 in located on a parcel within a gross area of 213.70 m ² .
Appraised Value	(VAT excluded) TL 21,400,000



ISTANBUL CADDEBOSTAN BUILDING

Date Of Report	02.11.2015
Report No	597943
Date Of Appraisal	27.10.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23 - 12
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	(VAT excluded) TL 16,255,000



ISTANBUL ETILER BUILDING

Date Of Report	25.11.2015
Report No	597948
Date Of Appraisal	23.11.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-13
Short Description Of Appraised Real Estate	The building registered under the Block No. 578, Parcel No. 3, Province of İstanbul, District of Beşiktas, Quarter of Bebek.
Appraised Value	(VAT excluded) TL 16,500,000





ISTANBUL FATIH BINASI

Date Of Report	26.11.2015
Report No	597949
Date Of Appraisal	23.11.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-14
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	(VAT excluded) TL 10,000,000



İSTANBUL KARAKÖY BUILDING

Date Of Report	26.11.2015
Report No	597950
Date Of Appraisal	23.11.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-15
Short Description Of Appraised Real Estate	The real estate qualified as "Bank with Attachments" with independent section no. 1 located on the Basement+Ground+1 (Mezzanine) + 2 normal floors of the "Masonry Office Building with a Bank under" located in the Plot No. 102, Parcel No. 3, Province of Istanbul, District of Beyoğlu, Quarter of Mueyyetzade.
Appraised Value	(VAT excluded) TL 30,000,000





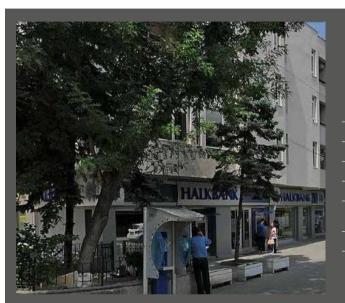
İSTANBUL NİŞANTAŞI BUILDING

Date Of Report	24.11.2015
Report No	597951
Date Of Appraisal	23 .11.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-16
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	(VAT excluded) TL 8,300,000



İSTANBUL ŞİŞLİ BUILDING

Date Of Report	25.11.2015
Report No	597952
Date Of Appraisal	23.11.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-17
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	(VAT excluded) TL 14,300,000



ANKARA BAHÇELİEVLER BUILDING 1

Date Of Report	18.12.2015
Report No	2015/23-5
Date Of Appraisal	18.12.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-5
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	(VAT excluded) TL 9,150,000



ANKARA BAHÇELİEVLER BUILDING 2

Date Of Report	18.12.2015
Report No	2015/23-6
Date Of Appraisal	21.10.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-6
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	(VAT excluded) TL 7,825,000



ANKARA KIZILAY BUILDING

Date Of Report	18.12.2015
Report No	2015/23-4
Date Of Appraisal	18.12.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-4
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	(VAT excluded) TL 16,310,000



ANKARA BAŞKENT BUILDING

Date Of Report	18.12.2015
Report No	2015/23-1
Date Of Appraisal	18.12.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-1
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	(VAT excluded) TL 11,775,000



İZMİR KONAK BUILDING 1

Date Of Report	20.11.2015
Report No	597953
Date Of Appraisal	17.11.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23 18
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	(VAT excluded) TL 21,380,000



İZMİR KONAK BUILDING 2

Date Of Report	20.11.2015
Report No	597954
Date Of Appraisal	17.11.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23 19
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	(VAT excluded) TL 13,470,000



BURSA BUILDING

Date Of Report	03.12.2015
Report No	2015 / 23-7
Date Of Appraisal	03.12.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-7
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 Kayıhan.
Appraised Value	(VAT excluded) TL 11,960,000



KOCAELİ BUILDING

Date Of Report	26.10.2015
Report No	597930
Date Of Appraisal	20.10.2015
Date Of Reference Contract	14.10.2015
Reference Contract No	2015/23-3
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	(VAT excluded) TL 10,200,000



SAKARYA ADAPAZARI BUILDING

Date Of Report	09.10.2015
Report No	596357
Date Of Appraisal	05.10.2015
Date Of Reference Contract	01.10.2015
Reference Contract No	2015 -21
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 Adapazarı.
Appraised Value	(VAT excluded) TL 9,030,000





Financial Statements As at and For Year Ended 31 December 2015 with Independent Auditors' Report Thereon

"Convenience Translation to English of Financial Statements and Notes To The Financial Statements Originally Issued In Turkish"

12 February 2016 This report includes 2 pages of independent auditor's report and 60 pages of financial statements and notes to the financial statements

Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish to English

To the Board of Directors of Halk Gayrimenkul Yatırım Ortaklığı

Report on the Financial Statements

We have audited the accompanying financial statements of Halk Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company") which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey ("CMB") and Independent 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 2015, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards.



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 12 February 2016.

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 for the period 1 January - 31 December 2015, the Company's bookkeeping activities and financial statements 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 required documents in connection with the audit.

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

> Alper Güvenç, SMMM Partner

> > 12 February 2016 İstanbul, Turkey





Halk Real Estate Investment Trust A.Ş.

Table of contents: Independent auditors' report Statement of financial position (balance sheet) Statement of profit or loss and other comprehensive income Statement of changes in equity Statement of cash flows Notes to the financial statements



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HALKGYO



HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2015 (Amounts expressed in Turkish Lira ("TL") unless otherwise stated

		Audited	Audited
ASSETS	Notes	31 December 2015	31 December 2014
Current Assets		144,495,869	183,420,241
Cash and cash equivalents		16,436,458	8,658,261
Financial investments			37,928,769
Trade receivables		10,076,498	11,984,216
- Related parties	4	4,649,752	
- Other		5,426,746	11,984,216
Inventories	8	97,964,900	103,090,737
Prepaid expenses	16	146,252	244,912
- Related parties		52,219	192,728
- Other		94,033	52,184
Current tax assets		79,076	1,094,638
Other current assets	16	19,792,685	20,418,708
-Related parties		214,083	
-Other current assets		19,578,602	20,418,708
Non-Current Assets		830,219,908	744,986,425
Trade receivables	7	19,033,739	317,535
Investment property		789,101,181	713,531,361
Prepaid expenses		7,547,569	19,616,841
Tangible assets		587,723	915,395
Intangible assets	12	530,242	703,933
Other non-current assets		13,419,454	9,901,360
Total Assets		974,715,777	928,406,666



LIABILITIES		31 December 2015	31 December 2014
Short-Term Liabilities	Notes	52,951,759	87,142,074
Current portion of long term borrowings	13	3,396,983	3,397,361
- Borrowings from related parties	4	3,396,983	3,397,361
Trade payables		1,841,360	606,561
- Due to related parties		51,172	126,242
- Due to non-related parties		1,790,188	480,319
Short term portions of employee benefits		719,224	676,601
Deferred income		44,070,843	76,802,390
Other short-term liabilities			5,659,161
Long-Term Liabilities		42,315,152	13,470,697
Long term borrowings		11,349,972	13,340,555
- Borrowings from related parties		11,349,972	13,340,555
Long term portions of employee benefits		151,665	130,142
Deferred income	9	30,813,515	
Equity	17	879,448,866	827,793,895
Share capital		743,000,000	697,900,000
Own shares acquired		(20,946,784)	(19,675,318)
Share premium		49,945,096	49,945,096
Other comprehensive income that will never be reclassified to profit or loss		3,446	(19,660)
- Defined benefit plan actuarial gains / (losses)		3,446	(19,660)
Restricted reserves		32,833,600	28,363,063
Retained earnings		17,189,603	9,933,568
Net profit for the period		57,423,905	61,347,146
Total Liabilities And Equity		974,715,777	928,406,666

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

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

		Audited	Audited
	Notes	01 January - 31 December 2015	01 January - 31 December 2014
Revenue	18	99,656,111	86,611,117
Cost of sales			(14,649,589)
Gross profit		68,130,377	71,961,528
Administrative expenses		(8,879,352)	(10,924,043)
Other operating income	20	667,142	9,365,000
Other operating expenses		(871,135)	(7,271,997)
Operating profit		59,047,032	63,130,488
Financial expenses	21	(1,623,127)	(1,783,342)
Profit before tax		57,423,905	61,347,146
Tax income / (expense)	22		
Net Profit For The Period		57,423,905	61,347,146
Earnings per share	23	0,07729	0,08256
Net Profit For The Period		57,423,905	61,347,146
Other Comprehensive Income			
Other comprehensive income non- reclassified to profit or loss		23,106	(16,268)
- Defined benefit plan actuarial gains (losses)		23,106	(16,268)
Other comprehensive income reclassified to profit or loss			209,146
- Net change in fair value of available-for-sale financial assets			209,146
Other comprehensive income		23,106	192,878
Total Comprehensive Income		57,447,011	61,540,024



HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

Other comprehensive income

Balance at 1 January 2014 17 673,638,704 (18,991,341) 49,945,096 (20, 1 Transfer to reserves						that are or may be reclassified to profit or loss
Transfer to reserves (20) Total comprehensive income 17 24,261,296 (683,977) (20) Capital increase 17 24,261,296 (683,977) (20) Dividend payment (20) Balance at 3 December 2014 17 697,900,000 (19,675,318) 49,945,096 Balance at 1 January 2015 17 697,900,000 (19,675,318) 49,945,096 Transfer to reserves Total comprehensive income <th></th> <th>Notes</th> <th>Share capital</th> <th>Own shares acquired</th> <th>Share premiums</th> <th>Net loss in fair value of available-for-sale financial assets</th>		Notes	Share capital	Own shares acquired	Share premiums	Net loss in fair value of available-for-sale financial assets
Total comprehensive income (209 Capital increase 17 24,261,296 (683,977) Dividend payment	Balance at 1 January 2014	17	673,638,704	(18,991,341)	49,945,096	(209,146)
Capital increase 17 24,261,296 (683,977) Dividend payment	Transfer to reserves					
Dividend payment Balance at 31 December 2014 17 697,900,000 (19,675,318) 49,945,096 Balance at 1 January 2015 17 697,900,000 (19,675,318) 49,945,096 Transfer to reserves Total comprehensive income Capital increase 17 45,100,000 (1,271,466) Dividend payment	Total comprehensive income					(209,146)
Balance at 31 December 201417697,900,000(19,675,318)49,945,096Balance at 1 January 201517697,900,000(19,675,318)49,945,096Transfer to reservesTotal comprehensive incomeCapital increase1745,100,000(1,271,466)Dividend payment	Capital increase	17	24,261,296	(683,977)		
Balance at 1 January 2015 17 697,900,000 (19,675,318) 49,945,096 Transfer to reserves Total comprehensive income Capital increase 17 45,100,000 (1,271,466) Dividend payment	Dividend payment					
Transfer to reservesTotal comprehensive incomeCapital increase1745,100,000(1,271,466)Dividend payment	Balance at 31 December 2014	17	697,900,000	(19,675,318)	49,945,096	
Transfer to reservesTotal comprehensive incomeCapital increase1745,100,000(1,271,466)Dividend payment						
Total comprehensive income Capital increase 17 45,100,000 (1,271,466) Dividend payment	Balance at 1 January 2015	17	697,900,000	(19,675,318)	49,945,096	
Capital increase 17 45,100,000 (1,271,466) Dividend payment	Transfer to reserves					
Dividend payment	Total comprehensive income					
	Capital increase	17	45,100,000	(1,271,466)		
Balance as at 31 December 2015 17 743,000,000 (20,946,784) 49,945,096	Dividend payment					
	Balance as at 31 December 2015	17	743,000,000	(20,946,784)	49,945,096	



Accumulated pr

Other comprehensive income that will never be reclassified to profit or loss

Defined benefit plan actuarial gains (losses)	Restricted reserves	Retained earnings	Net profit for the period	Total
(3,392)	2,074,167	31,211,098	31,510,827	769,176,013
	26,288,896	5,221,931	(31,510,827)	
(16,268)			61,347,146	61,540,024
		(23,577,319)		
		(2,922,142)		(2,922,142)
(19,660)	28,363,063	9,933,568	61,347,146	827,793,895
(19,660)	28,363,063	9,933,568	61,347,146	827,793,895
	4,470,537	56,876,609	(61,347,146)	
23,106			57,423,905	57,447,011
		(43,828,534)		
94 - El 2019 - El 2017 - El 2017 - El 2017 - El 2017 - El 2017 - El 2017 - El 2017 - El 2017 - El 2017 - El 20		(5,792,040)		(5,792,040)
3,446	32,833,600	17,189,603	57,423,905	879,448,866



HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Notes	Audited	Audited
		1 January - 31 December 2015	1 January - 31 December 2014
Cash Flows From Operating Activities			
Net profit for the period		57,423,905	61,347,146
Adjustments related with net profit reconciliation:			
Adjustments to the depreciation expense of investment property		2,709,746	1,160,620
Adjustments to the depreciation expense of tangible assets		344,617	487,186
Adjustments to the amortization expense of intangible assets	12	212,409	8,883
Profit or loss sales of tangible assets			(323)
Gain or loss from sales of tangible asset		89,867	626,540
Adjustments to the provisions		1,052,783	(11,756,762)
Adjustments to the interest income and interest expense		203,993	(2,093,003)
Adjustments to the unrealized foreign currency conversion		(998,008)	(1,280,977)
Changes In Working Capital:			
Adjustments to the increase/decrease in inventory		5,125,837	(58,121,267)
Adjustments to the increase/decrease in trade receivables		(17,012,479)	2,272,237
Adjustments to the increase/decrease in prepaid expenses		12,167,932	1,398,165
Adjustments to the increase/decrease in other current assets		(1,876,509)	(15,510,012)
Adjustments to the increase/decrease in trade payables		1,234,799	(1,775,345)
Adjustments to the increase/decrease in deferred income		(1,918,032)	(19,398,941)
Adjustments to the increase/decrease in other liabilities		(2,712,705)	4,357,801
Proceeds from sale of shares or debt instruments of a business organization or funds		38,979,163	180,028,680
Proceeds from acquisition of shares or debt instruments of a business organization or funds			(110,664,716)

	Notes	Audited	Audited
		1 January - 31 December 2015	1 January - 31 December 2014
Cash flows related to the operating activities			
Interest received			12,337,576
Dividend received			15,162
Other cash outflows		(78,107)	(542,050)
Net cash provided from operating activities		95,476,764	42,896,600
Cash flows used in investing activities			
Proceed from sale of tangible assets			1,544
Cash payments for acquisition of tangible assets			(306,342)
Cash payments for acquisition of intangible assets			(489,317)
Cash payments for acquisition of investment property		(78,279,566)	(98,946,458)
Cash inflow from the sale of investment property			
Net cash used in investment activities		(78,335,229)	(99,740,573)
Cash flows from financing activities			
Cash received from issuing own shares			
Expenses related to new shares issues			
Public offering expenses			
Interest paid			(1,786,864)
Repayment of borrowings		(2,095,845)	(1,796,223)
Dividend paid	17	(5,792,040)	(2,922,142)
Net cash used in financing activities		(9,406,129)	(6,505,229)
Net increase / (decrease) in cash and cash equivalents before the effect of foreign currency conversion adjustments		7,735,406	(63,349,202)
The effect of foreign currency conversion adjustments in cash and cash equivalents			104,940
Net increase / (decrease) in cash and cash equivalents		7,735,406	(63,244,262)
Cash and cash equivalents at the beginning		8,658,261	71,902,523
Cash and cash equivalents at the period end	5	16,393,667	8,658,261



HALK GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

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 743,000,000, 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 80,500,000 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 2015, the number of personnel employed in the Company is 39 (31 December 2014: 40).

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 notional 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 collection of the demand the Company's shares started to trade in Borsa Istanbul at 22 February 2013.

As at 11 June 2015, the Company increased its share capital to TL 743,000,000 by transferring TL 45,100,000 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 2015, the financial statements of the Company have been approved by the Board of Directors of the Company on 12 February 2016.

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 2015 have been applied consistently for the 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 2015, 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 2015

2.3.1. The standards and interpretations adopted in 2015

The Company has applied all the standards and interpretations issued by the POA which are effective as at 31 December 2015.

2.3.2. Standards and interpretations not yet issued as at 31 December 2015

As at and for the year ended 31 December 2015, standards not yet effective and not applied enclosed financial statements, updates about standards and interpretations are available and the important standards for the company from these updates are as follows:

Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2015

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option ("FVO") liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on the financial position or performance of the Company.

Clarification of acceptable methods of depreciation and amortization (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 "Property, Plant and Equipment" explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 "Intangible Assets" introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Accounting for acquisition of interests in joint operations (Amendments to TFRS 11)

The amendments clarify whether TFRS 3 "Business Combinations" applies when an entity acquires an interest in a joint operation that meets that standard's definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

TFRS 14 Regulatory Deferral Accounts

International Accounting Standards Board (IASB) has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to International Financial Reporting Standards ("IFRS") for rate regulated entities. The standard permits first time adopters of TFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to TFRS 10 and TAS 28) The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a "business" under TFRS 3 "Business Combinations". The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Disclosure Initiative (Amendments to TAS 1)

The narrow-focus amendments to TAS 1 "Presentation of Financial Statements" clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: Materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Improvements to TFRSs

The IASB issued Annual Improvements to IFRSs - 2012–2014 Cycle. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Annual Improvements to TFRSs – 2012–2014 Cycle

TFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"

The amendments clarify the requirements of TFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as heldfor-distribution.

TFRS 7 "Financial Instruments: Disclosures"

TFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. TFRS 7 is also amended to clarify that the additional disclosures required by "Disclosures: Offsetting Financial Assets and Financial Liabilities" (Amendments to TFRS 7)

TAS 19 Employee Benefits

TAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

TAS 34 Interim Financial Reporting

TAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

The new standards, amendments and interpretations that are issued by IASB but not issued by POA.

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 - (2013)

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. This standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TMS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IFRS 15 Revenue from Contracts with customers

The standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

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

Rental 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 "Land Sale of Revenue Sharing Agreement" ("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.

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 profit or loss 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 2015, cost components included in the inventory consist of the land cost which is 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 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.

Held to maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized using effective interest method.

Trade and other receivables

The Company initially recognises trade and other receivables on the date that they are originated and then discounted at the market rate of interest at the reporting date. Specific allowances are identified as being impaired based on regular reviews of outstanding balances to reduce receivables to their recoverable amounts.

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 payables

Trade and other payables 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. Effects of changes in exchange rates

The financial statements of the Company is presented in the currency of the primary economic environment in which the entity operates. For the purpose of the financial statements, the results and financial position of the Company is expressed in TRY, which is the functional currency of the Company, and the presentation currency for the financial statements.

Income and expenses from transactions in foreign currencies have been translated into Turkish Lira ("TL") at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from conversion of foreign currency items have been included in the income statement.

2.4.11. 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.

2.4.12. 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 postbalance sheet events that are not adjusting events but material.



2.4.13. 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.

2.4.14. 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.

2.4.15. Segment reporting

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

2.4.16. Discontinued operations

None.

2.4.17. 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.

2.4.18. Taxation

Corporate income tax

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

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

2.4.19. 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.

2.4.20. Statement of cash flows

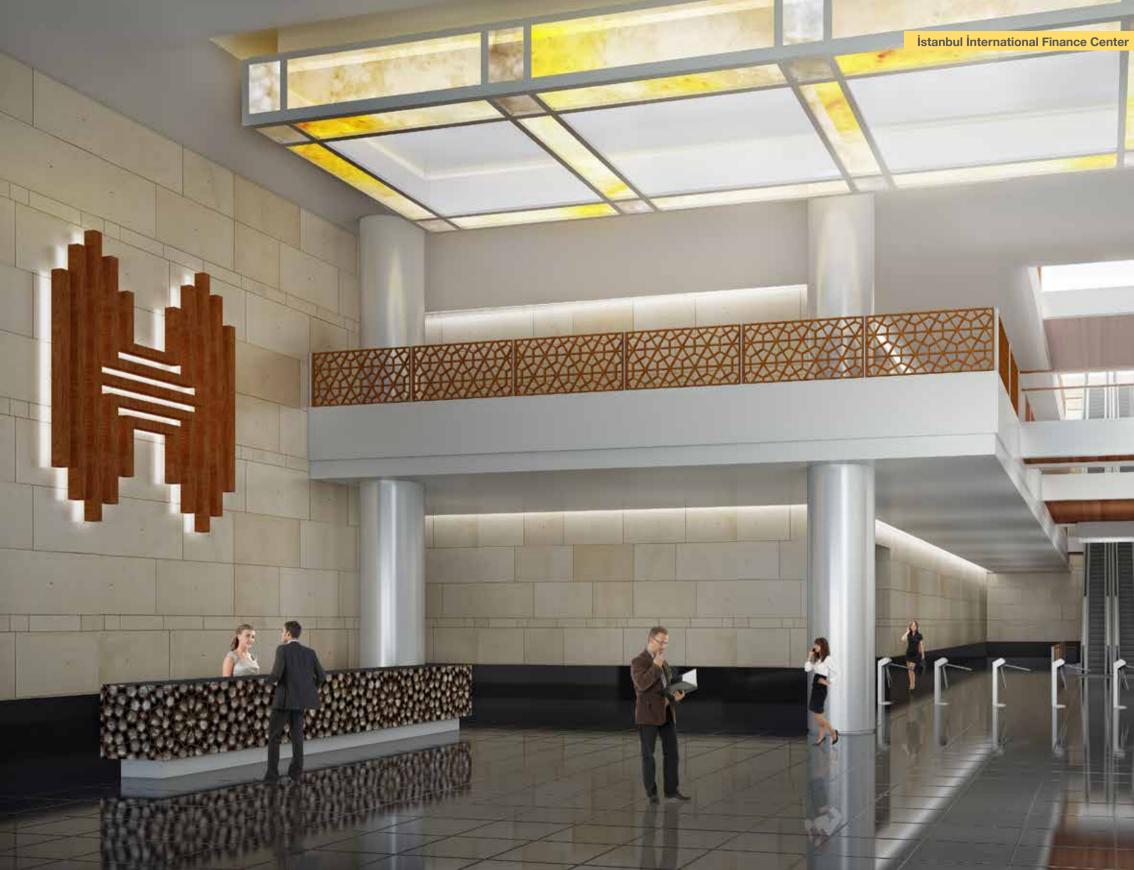
The Company presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new condition.

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 property



3. SHARES IN OTHER COMPANYS

Joint Operations

As at 31 December 2015 and 31 December 2014, voting right of the Company in the joint operation is as follows:

Voting right in the joint operation	31 December 2015	31 December 2014
Halk GYO-Vakıf GYO Adi Ortaklığı	50.0%	50.0%

Halk GYO-Vakıf GYO Adi Ortaklığı

Halk GYO-Vakif GYO Adi Ortakliği 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 Vakif Gayrimenkul Yatırım Ortaklığı AŞ for developing real estate projects.

As at 31 December 2015 and 31 December 2014, the Company's share in financial statements of the Halk GYO-Vakif GYO Adi Ortakliği is as follows:

	31.12.2015	31.12.2014
Non-current assets	20,707,816	9,901,360
Current assets	72,250,814	60,162,805
Short-term liabilities	(630,357)	(369)
Long-term liabilities		
Net assets	59,388,734	70,063,796
Net assets	59,388,734 01.01 - 31.12.2015	70,063,796
Net assets		
	01.01 - 31.12.2015	01.01 - 31.12.2014



4. RELATED PARTY DISCLOSURES

4.1. Due From / To Related Parties

	31 December 2015	31 December 2014
Banks-Demand deposits		
Halkbank	391,196	424,071
Banks-Time deposits		
Halkbank	15,243,274	7,902,288
Banks -Other liquid assets		
Halkbank	650,330	331,560
Halk Yatırım Menkul Değerler AŞ		218
Bank Bonds-Financial investments		
Halkbank		34,841,163
Total	16,284,800	43,499,300
Due from related parties	4,649,752	
Halkbank	4,649,752	
Prepaid expenses	52,219	192,728
Halk Sigorta AŞ	46,875	188,977
Halk Hayat ve Emeklilik AŞ	5,344	3,751
Other current assets	214,083	
Halkbank	214,083	
Capitalization of expenses on investment properties	1,013,850	42,668
Halkbank	759,939	1,875
Halk Sigorta AŞ	253,911	40,793
Total	5,929,904	235,396
Financial borrowings		
Halkbank –short term	3,396,983	3,397,361
Halkbank –long term	11,349,972	13,340,555
Total	14,746,955	16,737,916
Due to related parties		
Halk Sigorta AŞ	50,907	126,242
Halkbank AŞ	265	
Total	51,172	126,242
Short term deferred income		
Halkbank		2,788,350
Total		2,788,350

4.2 Income and expenses from related parties

Revenue-Rental income	1 January - 31 December 2015	1 January - 31 December 2014
Halkbank	35,661,459	27,563,353
Halk Hayat ve Emeklilik AŞ	86,665	79,499
Halk Sigorta AŞ	86,665	79,499
Halk Faktoring AŞ	60,926	691,408
Emekli Sandığı		
Halk Yatırım Menkul Değerler AŞ		40,372
Total	35,895,715	28,454,131
Revenue-Interest income		
Halkbank time deposit interest income	569,249	6,725,438
Halkbank financial investment interest income	942,497	5,506,663
Halk Yatırım		
Halkbank		
Halk Yatırım Menkul Değerler AŞ		102,215
Total	1,511,746	12,334,316
Revenue-Other income		
Halk Hayat ve Emeklilik AŞ		
Halk Sigorta AŞ	1,582	
Total	10,728	
Financial expenses-Interest expense		
Halkbank	1,623,127	1,783,342
Total	1,623,127	1,783,342
Cost of sales-Commission expense		
Halk Yatırım Menkul Değerler AŞ	695	14,363
Halk Portföy Yönetimi AŞ		106,967
Total	695	121,330
Cost of sales-Other expenses		
T.Halk Bankası Spor Kulübü		539,835
Halk Sigorta AŞ	203,265	149,006
Halkbank		169,899
Halk Yatırım Menkul Değerler AŞ	2,500	32,869
Halk Hayat ve Emeklilik AŞ	7,646	13,986
Halk Portföy Yönetimi AŞ		5,348
Total	275,965	910,943

For the year ended 31 December 2015, 37% of the revenue comprised the rent and interest income from the related parties (31 December 2014: 47%). For the year ended 31 December 2015 and 2014 interest income was generated from term deposits and interest expenses comprised at the interest expense on borrowings. For the year ended 31 December 2015, total benefit which has been provided to Company's top executives is amounting to TL 832,223 (31 December 2014: TL 857,816).



5. CASH AND CASH EQUIVALENTS

As at 31 December 2015 and 31 December 2014, cash and cash equivalents are as follows:

	31 December 2015	31 December 2014
Banks-Time deposits	15,245,167	7,902,288
Banks-Demand deposits	393,560	424,195
Reverse repo		
Other liquid assets(*)		
Cash and cash equivalents in the statement of financial position	16,436,458	8,658,261
Interest income accruals on cash equivalents	(42,791)	
Cash and cash equivalents in the statement of cash flows	16,393,667	8,658,261

(*) As at 31 December 2015 and 31 December 2014, other liquid assets consist of credit card receivables from sales of residential unit of Bakırköy Project and Eskişehir Project.

As at 31 December 2015 and 31 December 2014, the details of time deposits at banks, bank bonds and reverse repo are as follows:

31 December 2015	Amount	Nominal interest rate (%)	Maturity
Time deposits			
TL	5,524,976		19 January 2016
TL	3,013,623	12.75	19 January 2016
TL	2,004,192	12.75	28 January 2016
TL	1,992,336	8.00	4 January 2016
TL	1,663,460	8.00	4 January 2016
TL	735,712	8.00	4 January 2016
TL	182,066	8.00	4 January 2016
π	121,872	9.00	4 January 2016
п	5,037	9.00	4 January 2016
π	1,893	9.00	
Total	15,245,167		
31 December 2014	Amount	Nominal interest rate (%)	Maturity
Time deposits			
π	4,452,288	8.00	2 January 2015
TL	2,500,000	8.25	8 January 2015
TL	950,000	8.25	15 January 2015
Total	7.902.288		

6. FINANCIAL INVESTMENTS

As at 31 December 2015, the Company has not any financial investment.

As at 31 December 2014, 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:

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

7. TRADE RECEIVABLES AND TRADE PAYABLES

Trade receivables

The Company's short term trade receivables consist of notes receivable from sale of residential and rental income at Bakırköy Project, Panorama Plus Eskişehir, Bizimtepe Aydos Project and Kocaeli Şekerpınar Project respectively amounting to TL 1,297,847, TL 547,737, TL 3,558,719, TL 4,649,752 and other receivables amounting to TL 22,443 (31 December 2014: TL 8,781,572, TL 3,198,840 and TL 3,804).

The Company's long-term trade receivables consist of notes receivable from sale of residential units at Bakırköy Project and Bizimtepe Aydos Project respectively amounting to TL 15,394,330 and TL 3,639,409 (31 December 2014: Bakırköy Project TL 317,535).

Trade payables

As at 31 December 2015 and 31 December 2014, trade payables are as follows:

Short term trade payables	31 December 2015	31 December 2014
Other trade payables	1,790,188	480,319
Trade payables to related parties (Note 4)		126,242
Total	1,841,360	606,561



8. INVENTORIES

As at 31 December 2015 and 31 December 2014, inventories are as follows:

Land stocks	31 December 2014 Cost	Additions	Disposals	31 December 2015 Cost
İstanbul Bakırköy - Residence Project ⁽¹⁾	20,753,802		(10,692,648)	10,061,154
Eskişehir Odunpazarı Land – Residence Project ⁽²⁾	26,233,422	14,884,639	(18,526,306)	22,591,755
Sancaktepe Project ⁽³⁾	56,103,513	9,208,478		65,311,991
Total	103,090,737	24,093,117	(29,218,954)	97,964,900

(1) The Company has arranged a bid to develop a project on Bakırköy Land as Land Sale of Revenue Sharing Agreement (LSRSA) and as a consequence signed a contract with a firm on 17 February 2012. The Company registered for each plot that the project takes place for construction servitude on 24 February 2014. As at 31 December 2015, 120 independent unit was sold amounting to TL 35,835,980 and cost of sales relating to these sales is amounting to TL 10,692,648 TL (31 December 2014: 92 independent unit sold amounting to TL 40,356,205 and cost of sales relating to these sales is amounting to TL 11,011,823).

The 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 17 February 2012 and 1 March 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 2015, the deed transfer process of 212 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 December 2014. As at 31 December 2015, 46 independent unit was sold amounting to TL 19,593,827 and cost of sales relating to these sales is amounting to TL 6,237,690. Block D and Block B amounting to TL 2,288,616 have been transferred to the investment property.

(3) As at 16 October 2014, land in Sancaktepe/Istanbul was purchased amounting to TL 110,000,000 by Halk GYO-Vakif GYO Adi Ortakliĝi for real estate project. The main contractor services agreement has been signed at 22 October 2015 and the construction permit has been granted on 06 November 2015. 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 2015 and 31 December 2014, the details of long and short term deferred income are as follow:

	31 December 2015	31 December 2014
Deferred residentiial sale income (1)	44,070,843	55,814,040
Advanced taken from subcontractors ⁽²⁾		18,200,000
Deferred rental income		2,788,350
Total short term deferred income	44,070,843	76,802,390
Deferred residential sale income (3)	30,813,515	
Total long term deferred income	30,813,515	
Total deferred income	74,884,358	76,802,390

consist of TL 17,061,800 provided by sales of residential unit amounting to TL 150.8 Million. residences from LSRSA project realized on an estate located in Bakırköy and TL 21,307,582 Deferred residential unit sale income from provided by sales of residence project realized Eskisehir-Odunpazar Project provided by sales from Eskisehir-Odunpazarı Project Deferred of residence project realized amounting to TL residential unit sale income consists of balances 5.322.415. in according to sales on LSRSA project. Due to the contract 50.5% revenue from sales is (2) The advances taken amount related with collected by the Company, As at 31 December the project of "Land Sale of Revenue Sharing 2015, TL 70,962,336 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 2015, 288 unit has been sold amounting to TL 193.5 Million and

(1) Deferred residential unit sale income conveyance of title has been completed for 212

Agreement" on Bakırköy land.

(3) Total long term deferred income consist of TL 30,813,515 provided by sales of residences from Bizimtepe Aydos Project, which is on Sancaktepe land.

10. INVESTMENT PROPERTY

As at 31 December 2015 and 31 December 2014, the details of investment property are as follow:

	31 December 2015	31 December 2014
Buildings	483,406,659	324,780,865
Investment property under construction	305,694,522	388,750,496
Total	789,101,181	713,531,361

Insurance amount on investment properties as at 31 December 2015 is TL 310,434,793 (31 December 2014: TL 172,707,567).



As at 31 December 2015, investment property movement is as follows:

Investment Property	Cost at 31 December 2014	Additions	Transfers	Cost at 31 December 2015	Amortisation at 31 December 2014	Additions	Disposals	Depreciation at 31 December 2015	Net book value at 31 December 2015
İstanbul Karaköy Building	23,500,000			23,500,000	160,367	38,383		198,750	23,301,250
İstanbul Salıpazarı Building	22,000,000			22,000,000	288,450	69,039		357,489	21,642,511
İzmir Konak Building-1	13,400,000			13,400,000	269,006	64,682		333,688	13,066,312
Ankara Kızılay Building	12,475,237			12,475,237	133,635	31,985		165,620	12,309,617
İstanbul Beyoğlu Building	12,000,000			12,000,000	55,647	13,317		68,964	11,931,036
İstanbul Beşiktaş Building	11,893,840			11,893,840	73,480	17,587		91,067	11,802,773
İstanbul Etiler Building	11,000,000			11,000,000	51,065	12,222		63,287	10,936,713
İstanbul Şişli Building	11,000,000			11,000,000	159,578	38,194		197,772	10,802,228
İzmir Konak Building-2	10,290,000			10,290,000	113,922	27,392		141,314	10,148,686
Ankara Başkent Building	9,541,729			9,541,729	81,326	19,465		100,791	9,440,938
İstanbul Bakırköy Building	9,023,500			9,023,500	78,030	18,676		96,706	8,926,794
Bursa Building	8,500,000			8,500,000	92,963	22,241		115,204	8,384,796
Ankara Bahçelievler Building 1	6,681,356			6,681,356	120,553	28,862		149,415	6,531,941
Kocaeli Building	6,519,193			6,519,193	57,064	13,721		70,785	6,448,408
İstanbul Fatih Building	6,380,000			6,380,000	96,932	23,200		120,132	6,259,868
İstanbul Caddebostan Building	6,300,000			6,300,000	270,675	65,084		335,759	5,964,241
Sakarya Adapazarı Building	5,960,000			5,960,000	61,280	14,667		75,947	5,884,053
Ankara Bahçelievler Building 2	5,684,746			5,684,746	39,923	9,555		49,478	5,635,268
İstanbul Ataköy Building	5,061,500			5,061,500	76,937	18,405		95,342	4,966,158
İstanbul Nişantaşı Building	5,000,000			5,000,000	27,887	6,705		34,592	4,965,408
Halkbank Finance Tower	126,548,795			126,548,795	1,670,311	607,233		2,277,544	124,271,251
Park Dedeman Levent Hotel			91,186,481	91,186,481		655,666		655,666	90,530,815
Kocaeli Şekerpınar Block A			67,860,443	67,860,443		880,907		880,907	66,979,536
Eskişehir– Panaroma Plus Project - Block D		1,644,422		1,644,422		10,361		10,361	1,634,061
Eskişehir– Panaroma Plus Project – Block B17		644,194		644,194		2,197		2,197	641,997
Buildings total	328,759,896	2,288,616	159,046,924	490,095,436	3,979,031	2,709,746		6,688,777	483,406,659
Levent Hotel Project (a)	63,656,372	27,530,109	(91,186,481)						
İstanbul Financial Center Project (b)	261,705,522	7,621,024		269,326,546					269,326,546
Kocaeli Şekerpınar Project (c)	63,388,602	40,839,817	(67,860,443)	36,367,976					36,367,976
Total investment property under construction	388,750,496	75,990,950	(159,046,924)	305,694,522					305,694,522
Total	717,510,392	78,279,566		795,789,958	3,979,031	2,709,746		6,688,777	789,101,181

(a) In the current period, due to Hotel Project on Levent Land, construction expenses amounting to TL 25,912,832, project management expenses amounting to TL 631,812 agreement stamp tax and other duties amounting to TL 885,195 and other expenses amounting to TL 100,270 are capitalized on the cost of project.

(b) In the current period, due to İstanbul Financial Center Project, project management expenses amounting to TL 315,058, architecture and engineering expenses amounting to TL 5,640,950, agreement stamp tax and other duties amounting to TL 1,525,304 and other expenses amounting to TL 39,712 are capitalized on the cost of project.

(c) In the current period, due to planned banking base on Kocaeli Sekerpinar Project, architecture and engineering expenses amounting to TL 1,536,352, construction expenses amounting to TL 39,189,063, agreement stamp tax and other duties amounting to TL 37,757 and other expenses amounting to TL 76,645 are capitalized on the cost of project.

HALKGYO

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

Investment property	Cost at 31 December 2013	Additions	Transfers	Cost at 31 December 2014	Amortisation at 31 December 2014	Additions	Disposals	Depreciation at 31 December 2014	Net book value at 31 December 2014
Karaköy Building	23,500,000			23,500,000	121,984	38,383		160,367	23,339,633
İstanbul Salıpazarı 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
Halkbank Finance Tower	126,548,795			126,548,795	1,063,075	607,236		1,670,311	124,878,484
Buildings total	328,759,896			328,75,896	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 Financial Center Project (b)	239,427,053	22,278,469		261,705,522					261,705,522
Kocaeli Şekerpınar Project (c)	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 Hotel Project on Levent Land, construction expenses amounting to TL 24,555,246, project management expenses amounting to TL 497,488 agreement stamp tax and other duties amounting to TL 514,550 and other expenses amounting to TL 43,800 are capitalized on the cost of project.

(b) Due to Istanbul Financial Center 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 project.

(c) Due to planned banking base on Kocaeli Şekerpinar Project, architectural and engineering expenses amounting to TL 50,178,066, agreement stamp tax and other duties amounting to TL 866,397 and other expenses amounting to TL 12,442 are capitalized on the cost of project.

As at 31 December 2015 and 31 December 2014, net book values and fair values of investment properties are as follows:

	31 December 201	5	31 December 2014		
Investment property	Net book value	Fair value	Net book value	Fair value	
İstanbul Karaköy Building	23,301,250	30,000,000	23,339,633	28,500,000	
İstanbul Salıpazarı Building	21,642,511	46,680,000	21,711,550	43,400,000	
İzmir Konak Building 1	13,066,312	21,382,200	13,130,994	18,530,000	
Ankara Kızılay Building	12,309,617	16,200,000	12,341,602	17,675,000	
İstanbul Beyoğlu Building	11,931,036	22,000,000	11,944,353	19,270,000	
Istanbul Beşiktaş Building	11,802,773	16,030,000	11,820,360	15,114,000	
Istanbul Etiler Building	10,936,713	16,200,000	10,948,935	14,575,000	
İstanbul Şişli Building	10,802,228	14,325,000	10,840,422	13,000,000	
İzmir Konak Building 2	10,148,686	13,470,000	10,176,078	12,600,000	
Ankara Başkent Building	9,440,938	11,000,000	9,460,403	13,224,000	
Istanbul Bakırköy Building	8,926,794	20,865,000	8,945,470	19,602,000	
Bursa Building	8,384,796	11,860,000	8,407,037	10,865,000	
Ankara Bahçelievler Building 1	6,531,941	9,000,000	6,560,803	9,077,500	
Kocaeli Building	6,448,408	10,544,000	6,462,129	8,567,000	
Istanbul Fatih Building	6,259,868	10,000,000	6,283,068	9,050,000	
Istanbul Caddebostan Building	5,964,241	18,690,000	6,029,325	7,165,000	
Sakarya Adapazari Building	5,884,053	9,032,500	5,898,720	8,212,050	
Ankara Bahçelievler Building 2	5,635,268	7,650,000	5,644,823	7,735,000	
Istanbul Ataköy Building	4,966,158	10,975,000	4,984,563	10,290,000	
İstanbul Nişantaşı Building	4,965,408	8,200,000	4,972,113	7,475,000	
Halkbank Finance Tower	124,271,251	204,739,880	124,878,484	167,471,005	
Park Dedeman Levent Hotel	90,530,815	145,107,568			
Kocaeli Şekerpinar Block A	66,979,536	82,521,600			
Eskişehir- Panaroma Plus Project - Block D	1,634,061	4,177,025			
Eskişehir- Panaroma Plus Project - Block B17	641,997	649,863			
Buildings total	483,406,659	761,299,636	324,780,865	461,397,555	
Levent Hotel Project			63,656,372	108,160,115	
İstanbul Financial Center Project	269,326,546	632,096,740	261,705,522	574,633,000	
Kocaeli Şekerpınar Project Block B (a)	36,367,976	67,592,931	63,388,602	72,197,400	
Total investment property under construction	305,694,522	699,689,671	388,750,496	754,990,515	
Total	789,101,181	1,460,989,307	713,531,361	1,216,388,070	

(a) Fair value of Kocaeli Sekerpinar Project was determined based on construction level on 7 December 2015. There is not any impairment provided as at 31 December 2015 due to the fact that when the project is finished, the estimated value of project would be TL 75,103,257.

10. INVESTMENT PROPERTY BUILDINGS

İstanbul Karaköv Binası

Istanbul Karaköy Building is registered to Beyoğlu/ İstanbul 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 TL 23,500,000 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 Karaköy Building has been determined as TL 30,000,000 according to market value approach based on the report dated 16 November 2015 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 1,380,406 of rental income for the period started 1 January 2015 and ended 31 December 2015. The rent relation has ended up with Halk Faktoring AŞ as at 31 January 2015.

İstanbul Salıpazarı Building

Istanbul Salıpazarı Building is registered to Beyoğlu/ İstanbul Kılıçali 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 46,680,000 according to market value approach based on the report dated 30 November 2015 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 691,281 of rental income for the period started 1 January 2015 and ended 31 December 2015. The agreement between the Company and Halkbank terminated on 14 December 2015. The Company signed an agreement with Beril Otelcilik Turizm ve Tic. Ltd. Şti. to rent Salıpazarı Building as a hotel. In the renovation period, Euro 10,000 + VAT have been collected monthly during 12- month alteration period.

İzmir Konak Building-1

Izmir Konak Corporate Building is registered to Konak/ Izmir 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 21,382,200 according to market value approach based on the report dated 20 November 2015 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 1,244,056 of rental income for the period started 1 January 2015 and ended 31 December 2015.

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 16,200,000 according to market value approach based on the report dated 18 December 2015 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 1,224,831 of rental income for the period started 1 January 2015 and ended 31 December 2015.

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 22,000,000 according to market value approach based on the report dated 26 November 2015 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 1,330,942 of rental income for the period started 1 January 2015 and ended 31 December 2015.

İstanbul Beşiktaş Building

Istanbul Beşiktaş Building is registered to Beşiktaş/ Istanbul 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 Besiktas Building has been determined as TL 16,030,000 according to market value approach based on the report dated 25 November 2015 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 1,084,628 of rental income for the period started 1 January 2015 and ended 31 December 2015. The rent relation has ended up with Emekli Sandığı Vakfı as at 20 February 2015.

İstanbul Etiler Building

Istanbul 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 16,200,000 according to market value approach based on the report dated 25 November 2015 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 972,361 of rental income for the period started 1 January 2015 and ended 31 December 2015.

İstanbul Şişli Building

Istanbul 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 14,325,000 according to market value approach based on the report dated 25 November 2015 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 970,360 of rental income for the period started 1 January 2015 and ended 31 December 2015.

İzmir Konak Building -2

Izmir 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 13,470,000 according to market value approach based on the report dated 20 November 2015 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 AS ("Halk Sigorta"), 171 m2 of first floor to Halk Havat Emeklilik and other divisions to Halkbank. The Company earned TL 872,711 of rental income for the period started 1 January 2015 and ended 31 December 2015.

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 11,000,000 according to market value approach based on the report dated 18 December 2015 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 Ceda Akaryakit. The Company earned TL 1,047,038 of rental income for the period started 1 January 2015 and ended 31 December 2015.

İstanbul Bakırköy Building

Istanbul Bakırköy Building is registered to Bakırköy/ Istanbul 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 10 December 2015 dated report of a real estate valuation firm was licensed by CMB, the fair value of Bakırköy Building has been determined as TL 20,865,000 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 1,240,450 of rental income for the period started 1 January 2015 and ended 31 December 2015.

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 Bursa Building has been determined as TL 11,860,000 according to market value approach based on the report dated 3 December 2015 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 787,082 of rental income for the period started 1 January 2015 and ended 31 December 2015.



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 9,000,000 according to market value approach based on the report dated 18 December 2015 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 669,246 of rental income for the period started 1 January 2015 and ended 31 December 2015.

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 10,544,000 according to market value approach based on the report dated 26 October 2015 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 820,300 of rental income for the period started 1 January 2015 and ended 31 December 2015.

İstanbul Fatih Building

Istanbul Commercial Building is registered to Fatih/ Istanbul 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 10,000,000 according to market value approach based on the report dated 26 November 2015 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 548,998 of rental income for the period started 1 January 2015 and ended 31 December 2015.

stanbul Caddebostan Building

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

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 18,690,000 according to market value approach based on the report dated 2 November 2015 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 614,350 of rental income for the period started 1 January 2015 and ended 31 December 2015.

Sakarya Adapazari 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 9,032,500 according to market value approach based on the report dated 9 October 2015 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 741,436 of rental income for the period started 1 January 2015 and ended 31 December 2015.

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 7,650,000 according to market value approach based on the report dated 18 December 2015 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 622,198 of rental income for the period started 1 January 2015 and ended 31 December 2015.

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 10,975,000 according to market value approach based on the report dated 26 November 2015 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 708,558 of rental income for the period started 1 January 2015 and ended 31 December 2015

İstanbul Nişantaşı Building

Istanbul 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 8,200,000 according to market value approach based on the report dated 24 November 2015 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 492,180 of rental income for the period started 1 January 2015 and ended 31 December 2015.

Halkbank Finance Tower

Halkbank Finance Tower is registered to Atasehir/ Kücükbakkalköy 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 Gelistirme İns. San. ve Dıs Tic. A.S. 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 Gavrimenkul Gelistirme Ins. San. ve Dis Tic. AS. 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 Halkbank Finance Tower has been determined as TL 204,739,880 according to market value approach based on the report dated 16 November 2015 prepared by real estate appraisal company licensed by CMB. The Company has recognized TL 15,371,200 of rental income for the period started 1 January 2015 and ended 31 December 2015.

Park Dedeman Levent Hotel

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 Hotel Project on the land has been started with the agreement between Dedeman Turizm Yönetimi AŞ. The fair value of Park Dedeman Levent Hotel has been determined as TL 145,107,568 according to market value approach based on the report dated 7 December 2015 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property.

The Company has recognized TL 4,835,743 of rental income for the period started 1 January 2015 and ended 31 December 2015.

Kocaeli Şekerpınar Project Block A

Şekerpinar Block A is registered to Şekerpinar/Kocaeli neighbourhood with 420 block and 26 plot. There is no restriction on the investment property. Occupancy permit for Şekerpinar Block A is received as of 14.10.2015. Within the frame of the goodwill agreement signed with Halkbank on 21 May 2015, a 10-year lease agreement has been signed to be valid after 15 April 2015 with an amount of TL 442,625+VAT. The fair value of the investment property has been determined as TL 82,521,600 according to market value approach based on the report dated 7 December 2015 prepared by real estate appraisal company licensed by CMB.

The Company has recognized TL 3,762,313 of rental income for the period started 1 January 2015 and ended 31 December 2015.

Eskişehir- Panaroma Plus Project - D Block

Eskişehir Block D is registered to Odunpazarı/Eskişehir neighbourhood with 13,124 block and 1 plot. There is no restriction on the investment property. Occupancy permit for Eskişehir Block D is received as of 28.08.2015. The Company signed 10-year lease agreement with Migros Ticaret A.Ş. on 20.08.2015. Within the frame of related lease agreement, starting date of leasing is determined as same date with opening. The fair value of the investment property has been determined as TL 4,177,025 according to market value approach based on the report dated 2 October 2015 prepared by real estate appraisal company licensed by CMB. The Company earned TL 20,535 of rental income for the period started 1 January 2015 and ended 31 December 2015.

Eskişehir- Panaroma Plus Project - B17 Block

Eskişehir Block B is registered to Odunpazarı/Eskişehir neighbourhood with 13,124 block and 1 plot. There is no restriction on the investment property. Occupancy permit for Eskişehir Block B is received as of 02.11.2015. The Company signed a lease agreement amounted TL 6,000+VAT with a real person on 01 November 2015. The fair value of the investment property has been determined as TL 649,863 according to market value approach based on the report dated 2 October 2015 prepared by real estate appraisal company licensed by CMB. The Company earned TL 12,000 of rental income for the period started 1 January 2015 and ended 31 December 2015.

INVESTMENT PROPERTY UNDER CONSTRUCTION

İstanbul Financial Center Project

Ataşehir Land is registered to Ümraniye/İstanbul Küçükbakkalköy neighbourhood with 3328 city block and 3rd plot. It has a place of 28,732 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 632,096,740 according to market value approach based on the report dated 19 November 2015 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company applied for construction licence as at 31 December 2014.

Istanbul Finance Center project is developed under coordination of Ministery 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 parcelled from previous 3323 block 3rd plot and total construction area of the Company on the Land is protected during the partition. At 10 June 2015, the construction permits for IFC in İstanbul have been granted for the mixed use (office&retail) project

Kocaeli Şekerpınar Project Block B

Sekerpinar Block B is registered to Sekerpinar/Kocaeli neighbourhood with 420 block and 26 plot. It has place 15.652 m². 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 centre and licence is received for the first and second zone as at 28 August 2013 and 28 March 2014, respectively. First zone of the Project, Block A, has been completed and classified as a building. The fair value of the investment property of second zone of the Project, Block B, has been determined as TL 67,592,931 according to market value approach based on the report dated 7 December 2015 prepared by real estate appraisal company licensed by CMB. After the completion, the fair value of the property shall be TL 75,103,527.



Operating leases The Company as lessor

The Company has signed operating lease agreements with HalkBank, Koton, Halk Sigorta, Turkish Treasury and Ceda Akaryakit Turizm as lessor. The future minimum lease payments as at 31 December 2015 and 31 December 2014 under non-cancellable leases are as follows:

	31 December 2015	31 December 2014
Less than one year	31,442,378	25,573,539
Between one and five years	107,116,477	6,823,753
More than five years	46,780,737	575,785
Total	185,339,592	32,973,077



11. TANGIBLE ASSETS

Movement schedule of tangible assets for the period from 1 January 2015 to 31 December 2015 are as follows:

	1 January 2015	Additions	Disposals	31 December 2015
Cost				
Furniture and fixtures			(8,829)	1,133,691
Leasehold improvements				
	1,780,740		(8,829)	1,795,018
Accumulated depreciation				
Furniture and fixtures	(385,003)	(163,632)	2,667	(545,968)
Leasehold improvements	(480,342)	(180,985)		(661,327)
	(865,345)	(344,617)	2,667	(1,207,295)
	915,395	(321,510)	(6,162)	587,723

For the year ended 31 December 2015 tangible assets amounting to TL 23,107 were acquired. As at 31 December 2015, total insurance on tangible assets amounting TL 1,400,000 (31 December 2014: TL 1,090,005). 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

12. INTANGIBLE ASSETS

Movement schedule of intangible assets for the period from 1 January 2015 to 31 December 2015 are as follows:

	1 January 2015	Additions	Disposals	31 December 2015
Cost				
Other intangible assets	716,678	38,718		755,396
	716,678	38,718		755,396
Accumulated depreciation				
Other intangible assets	(12,745)	(212,409)		(225,154)
		(212,409)		(225,154)
	703,933	(173,691)		530,242

For the year ended 31 December 2015 intangible assets amounting TL 38,718 were acquired. As at 31 December 2015, there is no insurance on intangible assets (31 December 2014: None). 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				716,678
				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

13. LOANS AND BORROWINGS

As at 31 December 2015 and 31 December 2014, financial borrowings are as follows:

	31 December 2015	31 December 2014
Short-term financial liabilities:		
Short-term portion of long-term borrowings	3,396,983	3,397,361
Total short-term borrowings	3,396,983	3,397,361
Long-term borrowings:		
Long-term bank loans	11,349,972	13,340,555
Total long-term liabilities	11,349,972	13,340,555
Total financial liabilities	14,746,955	16,737,916

Financial debt repayment schedule is as follows:

	31 December 2015	31 December 2014
Less than 1 year	3,396,983	3,397,361
1–2 between years		
2–3 between years		
3–4 between years	2,514,646	2,514,646
4–5 between years		
More than 5 years	708,805	2,698,473
Total	14,746,955	16,737,916

31 December 2015:

Currency	Nominal interest rate (%)	Maturity	Short-term	Long-term
TL ⁽¹⁾		2021	3,396,983	11,349,972
Total			3,396,983	11,349,972

31 December 2014

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

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

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2015, The Company is subject of three labour law suits and one administrative suit which has been filed against the Company. A possible claim against the Company is amounting to TL 56,880.

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 favour of fully consolidated associations

iii) In favour 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 2015 and 31 December 2014 commitments given are as follows:

	31 Decem	31 December 2015		er 2014
	Original Amount	Book Value	Original Amount	Book Value
A. Commitments given in the name of own legal entity(1)	249,807,018	249,807,018	150,849,009	150,849,009
B. Commitments given in favour of full consolidated subsidiaries				
C. Commitments given to guarantee the debts of third parties to continue their operations				
D. Other commitments given;				
- in favour of parent company				
- in favour of group companies other than mentioned in bullets B and C				
- in favour of third parties other than mentioned in bullets C				
Total	249.807.018	249.807.018	150.849.009	150.849.009

(1) The mortgages have been given to Halkbank related to loan used for the Halkbank Finance Tower amounting to 150,000,000 TL (31 December 2014: TL 150,000,000) (Although loan agreement has been closed, mortgage has not been cancelled under general loan agreement between Halkbank and the Company) guarantee letter given for road accession commitment of and guarantee letter given for road accession commitment of Halkbank Finance Tower amounting to TL 97,504,542 (31 December 2014: none) and Levent Hotel Project amounting to TL 325,523 (31 December 2014: TL 263,811), guarantee letter given for lectricity and gas supply commitment of Eskişehir Project amounting to respectively TL 149,255 and TL 6,750 (31 December 2014: TL 6,750) and guarantee letter given for road accession commitment of TL 538,448 (31 December 2014: TL 578,448). Guarantee letter given for road accession commitment of Bizimtepe Aydos Project amounting to TL 1,282,500 (31 December 2014: None).



As at 31 December 2015 and 31 December 2014, the details of letter of guarantees are presented below:

	31 December 2015	31 December 2014
Dedeman Turizm Yönetimi AŞ ⁽²⁾	12.710.400	5.641.400
Haldız İnşaat Otomotiv ve Tic Ltd.Şti ⁽⁷⁾	15.000.000	
K Yapı Gayrimenkul Geliştirme İnş. San. Ve Dış Tic. AŞ ⁽¹⁾	4.950.296	9.913.239
Sapaz Otelcilik Turizm İnşaat Sanayi Ve Ticaret A.Ş. ⁽⁸⁾	4,766,400	
Haldız İnşaat Otomotiv ve Tic Ltd.Şti $^{(7)}$	4.560.000	13.635.000
Biskon Yapı AŞ ⁽³⁾	4.480.200	8.960.400
Ericsson Telekomünikasyon AŞ ⁽¹⁾	3.145.824	9.245.910
llgazlar İnşaat Tic. Ve San. AŞ [©]	2.751.981	5.189.392
Entegre Proje Yönetim Dan.Müh.Tic. AŞ ⁽⁴⁾	760.000	569.000
Koton Mağazacılık Teskstil San ve Tic AŞ ⁽⁵⁾	412.503	300.000
YPU Yapi Proje Uygulama Ltd. Şti.	368.100	
Borusan Makine ve Güç Sistemleri San.ve Tic. AŞ(1)	303.143	717.586
Megapol Mühendislik Tic. AŞ ⁽¹⁾	198.000	243.000
Mutlu Çilingiroğlu Mimarlik Inş. San. Ve Tic. Ltd. Şti. ⁽⁷⁾	160.500	
Proplan Proje Yönetim AŞ ⁽⁶⁾	73.800	124.181
Seyaş Sey Mimarlık Mühendislik Müşavirlik AŞ ^{ıa} ı		3.950.000
Other	750.119	310.618
Toplam	55.391.266	58.799.726

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

(2) The Company has received letter of guarantee from the suppliers for architectural and construction activities within the scope of Dedeman Otel Project.
(3) The Company has received letter of guarantee from the contractor Biskon Yapi AŞ for the "Land Sale of Revenue Sharing" project.
(4) The Company has received letter of guarantee from the suppliers for architectural and construction activities within the scope of Istanbul Financial Center (IFC) Project.
(5) Koton is the lesse of the Company.

(6) The Company is the contractor company of Eskişehir Panaroma Project.
(7) Guarantee letter has been received from suppliers relating to architectural and construction businesses of Bizimtepe Aydos project.
(8) Sapaz Otelcilik Turizm İnşaat Sanayi ve Ticaret A.Ş. is a lessee of the Company.

15. EMPLOYEE BENEFITS

As at 31 December 2015 and 31 December 2014, the details of employee benefits are presented below:

Short-term liabilities	31 December 2015	31 December 2014
Employee premium provision	500,019	492,513
Vacation pay liability	219,205	184,088
Total	719,224	676,601

Long-term liabilities	31 December 2015	31 December 2014
Provision for employee benefits	151,665	130,142
Total	151,665	130,142

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 2015 and 31 December 2014:

	31 December 2015	31 December 2014
Discount rate		2.83 %
Expected salary/limit increase rate	6.00 %	6.00 %
Estimated retirement turnover rate		96 %

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

Prepaid expenses

As at 31 December 2015 and 31 December 2014, the details of prepaid expenses are presented below:

	31 December 2015	31 December 2014
Prepaid insurance expenses	52,219	192,728
Prepaid advertising and promotion expenses	30,260	12,563
Other	63,773	39,621
Total short term prepaid expenses	146,252	244,912
Investment advances(*)	7,542,325	19,604,382
Other	5,244	12,459
Total long term prepaid expenses	7,547,569	19,616,841
Total prepaid expenses	7,693,821	19,861,753

(*) As at 31 December 2015, advances given consist of followings, due to the planned banking base Project on Kocaeli Şekerpinar Land amounting to TL 680,927, due to the IFC Project advance amounting TL 411,496 is given to the contractor architecture and project administration firms, and project administration firms and due to the Sancaktepe Project advance amounting TL 6,449,902.

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 is given to the contractor architecture and engineering company, due to the Dedeman Otel Project advance amounting TL 5,394,588 is given to the contractor architecture and engineering company, due to the Dedeman Otel Project advance amounting TL 5,394,588 is given to the contractor architecture and engineering company, due to the IFM Project advance amounting TL 1,868,291 is given to the contractor architecture and project administration firms, due to the Eskişehir Project advance amounting TL 2,802,496 is given to the contractor architecture and project administration firms.

Other current assets

As at 31 December 2015 and 31 December 2014, the details of other current assets are presented below:

	31 December 2015	31 December 2014
Deferred value added tax ("VAT")	18,855,145	19,897,516
Other current assets from related parties (Note 4)	214,083	
Deposits and guarantees given	126,014	35,140
Advances given	3,088	
Other	594,355	478,695
Total	19,792,685	20,418,708

Other non-current assets

As at 31 December 2015 and 31 December 2014, the details of other non-current assets are presented below:

	31 December 2015	31 December 2014
Deferred value added tax ("VAT")	13,419,454	9,901,360
Total	13,419,454	9,901,360

As at 31 December 2015, VAT receivable amounting to TL 13,419,454 caused by purchasing Sancaktepe land of Halk GYO-Vakif GYO Adi Ortakliği is classified to "other non-current assets".



17. SHARE CAPITAL. RESERVES AND OTHER EQUITY ITEMS

17.1. Paid in capital

As at 31 December 2015 and 31 December 2014. the issued and fully paid in capital of the Company is as follows:

		31 December 20	015	31 December 20	14
	Group	Share %	Amount	Share %	Amount
Halkbank		1.58	11.739.936	1.58	11.027.324
Halkbank			522.939.741		491.197.355
Halk Yatırım Menkul Değerler AŞ		0.04	280.377	0.04	263.358
Halk Finansal Kiralama AŞ					1
Publicly held(*)		28.00	208.039.945	28.00	195.411.962
Paid in capital		100.00	743.000.000	100.00	697.900.000

(*) Halkbank has 52,492,058 B group shares with the share rate of 7.06 on publicly held (31 December 2014: 42.620.098).

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 743,000,000 and had been portioned to 743,000,000 shares. All capital value has been subscribed by the founders; amounting to TL 196,217,979 has been paid as cash, amounting to TL 80,500,000 has been paid as capital increase from reserves 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 increased its share capital by TL 11,138,704 from retained earnings.

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

As at 11 June 2015, the Company increased its share capital to TL 743,000,000 by transferring TL 45,100,000 from retained earnings to share capital.



17.2. Own shares acquired

The Company's own shares acquired are accounted at their costs. The Company acquired its own shares having a notional amount of 20,946,784 (31 December 2014: 19,675,318 shares). As at 31 December 2015, The Company's own shares acquired detail as follows:

Transaction	Transaction date	Notional amount	Weighted average share price	Transaction amount
Repurchase share	26 February 2013	933,649		1,251,090
Repurchase share	27 February 2013			987,004
Repurchase share	28 February 2013	1,000,000		1,340,000
Repurchase share	1 March 2013	2,297,269		3,021,922
Repurchase share	5 March 2013	3,455,130		4,608,678
Repurchase share	11 March 2013			604,384
Repurchase share	12 March 2013			773,843
Repurchase share	15 March 2013	2,000,000		2,640,000
Repurchase share	21 March 2013			9,582,612
Bonus shares	20 June 2013	314,024	0.00	
Bonus shares	5 June 2014	683,977	0.00	
Bonus shares	11 June 2015	1,271,466	0.00	
Total own shares acquired		20,946,784	1.18	24,809,533

17.3. Share premiums

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

17.4. Restricted reserves

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

In accordance with the Turkish Commercial Code, the 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.

As at 31 December 2015, the Company's restricted reserves are legal reserves and amounting to TL 32,833,600 (31 December 2014: TL 28,363,063).

17.5. Dividend

At 17 April 2015, the Company has decided to distribute dividends to the shareholders amounting to TL 5,960,066. Since the Company has written back its own shares in the amount of TL 168,035 net amount of dividend distributed to the shareholders is amounting to TL 5,792,040 (2014:TL 2,922,142).



18. REVENUE AND COST OF SALES

For the years ended 31 December 2015 and 31 December 2014, revenue is as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Income from sales of residence	55,429,807	40,356,205
Rental income	42,065,203	29,962,463
Other	6,133	
Total property income	97,501,143	70,318,668
Income from financial assets at fair value through profit and loss	1,462,628	2,737,183
Interest income on deposits	570,344	6,340,887
Interest income from financial assets available for sale financial assets		1,746,938
Interest income from held to maturity financial assets		5,452,279
Dividend income		15,162
Other incomes	121,996	
Total income from debt securities	2,154,968	16,292,449
Total revenue	99,656,111	86,611,117

For the years ended 31 December 2015 and 31 December 2014 cost of sales are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Cost of residence sales	26,930,338	11,011,823
Depreciation expense	2,709,746	1,160,620
Real estate tax expense	632,991	594,004
Other	735,653	236,716
Total cost of property	31,008,728	13,003,163
Expense from financial assets at fair value through profit and loss	464,620	1,456,206
Commission expenses		190,220
Total cost of borrowing instruments	517,006	1,646,426
Total cost of sales	31,525,734	14,649,589



19. ADMINISTRATIVE EXPENSES

For the years ended 31 December 2015 and 31 December 2014, administrative expenses are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Personnel expenses	5,728,391	5,099,818
Amortisation expenses	557,026	496,069
Outsourced service expenses	473,836	560,956
Rent expenses	451,289	415,739
Consultancy expenses	443,144	454,442
Advertisement expenses	388,521	452,694
Tax and duties expenses	357,229	397,219
Travel and rent a car expenses	248,172	293,434
Office and IT related expenses	159,133	162,259
Maintenance expenses	34,385	21,733
Donation and aid expenses		2,000,000
Sponsorship expenses		539,835
Other	38,226	29,845
Total	8,879,352	10,924,043

Personnel expenses

	1 January – 31 December 2015	1 January – 31 December 2014
Salaries and wages	4,072,373	3,774,656
Social security payroll tax	635,332	520,274
Attendance fee	267,239	256,315
Other	753,447	548,573
Total	5,728,391	5,099,818

20. OTHER OPERATING INCOME / (EXPENSES)

For the years ended 31 December 2015 and 31 December 2014 other operating income / (expense) are as follows:

	1 January – 31 December 2015	1 January – 31 December 2014
Other operating income		
Foreign exchange gains	667,142	9,365,000
Other operating expense		
Foreign exchange expenses	(871,135)	(7,271,997)



21.FINANCIAL EXPENSES

For the years ended 31 December 2015 and 31 December 2014, financial expenses are as follows

	1 January – 31 December 2015	1 January – 31 December 2014
Interest expenses		1,783,342
Total	1,623,127	1,783,342

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 2015	1 January – 31 December 2014
Net profit for the period	57,423,905	61,347,146
Weighted average number of shares	743,000,000	743,000,000
Earnings per share (TL)		0.08256

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.



24.1. Credit risk

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

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

As at 31 December 2015, credit risk exposure of financial assets is as follows:

Receivables								
	Trade r	eceivables	Other re	ceivables				
31 December 2015	Related parties	Other parties	Related parties	Other parties	Bank deposits	Financial Investments	Other	Total
Exposure to maximum credit risk as at reporting date (A+B+C+D)	4,649,752	24,460,485			16,436,458			45,546,695
A) Net carrying value of financial assets which are neither impaired nor overdue	4,649,752	24,460,485			16,436,458			45,546,695
B) Net carrying value of financial assets which are overdue but not impaired								
C) Net carrying value of impaired assets								
- Covered portion of net book value (with letter of guarantee etc.)								
- Past due (gross book value)								
- Impairment (-)								
D) Overdue (gross book value)								
-Impairment (-)								
- Covered portion of net book value (with letter of guarantee etc.)								
E) Off balance sheet items with credit risks								

The Company does not have any overdue but impaired financial assets as at 31 December 2015.

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

		Receivables						
	Trade i	receivables	Other re	eceivables				
31 December 2014	Related parties	Other parties	Related parties	Other parties	Bank deposits	Financial Investments	Other	Total
Exposure to maximum credit risk as at reporting date (A+B+C+D)		12,301,751			8,658,261	37,928,769		58,888,781
A) Net carrying value of financial assets which are neither impaired nor overdue		12,301,751			8,658,261	37,928,769		58,888,781
B) Net carrying value of financial assets which are overdue but not impaired								
C) Net carrying value of impaired assets								
- Covered portion of net book value (with letter of guarantee etc,)								
- Past due (gross book value)								
- Impairment (-)								
D) Overdue (gross book value)								
-Impairment (-)								
- Covered portion of net book value (with letter of guarantee etc,)								
E) Off balance sheet items with credit risks								

The Company does not have any overdue but impaired financial as at 31 December 2014







24.2. Liquidity risk

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

The following table presents the Company's financial liabilities including payments according to their remaining contractual maturities:

Contractual maturities						
31 December 2015	Carrying value	Total of contractual cash flows	Up to 3 months	3 months to 1year	1 year to 5 years	More than 5 years
Non-derivative financial liabilities						
Loans and borrowings	14,746,955	19,093,554	895,010	2,685,031		1,193,346
Trade payables	1,841,360	1,841,360	1,841,360			
Total	16,588,315	20,934,914	2,736,370	2,685,031	14,320,167	1,193,346

Contractual maturities						
31 December 2014	Carrying value	Total of contractual cash flows	Up to 3 months	3 months to 1year	1 year to 5 years	More than 5 years
Non-derivative financial liabilities						
Loans and borrowings		22,673,596	895,010	2,685,031		4,773,388
Trade payables	606,561	606,561	606,561			
Total	17,344,477	23,280,157	1,501,571	2,685,031	14,320,167	4,773,388

24.3 Market risk

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

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

Foreign currency risk

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

As at 31 December 2015 an 31 December 2014, foreing currency assets an liabilities ar as follows

	31 December 2015 (Balance TL)	31 December 2014 (Balance TL)
Total foreign currency assets	889,359	5,901,343
Total foreign currency liabilities		(1,372,565)
Net exposure	888,443	4,528,778



	31 December	2015			31 Decembe	r 2014		
	TL (functional currency)	USD	EURO	GBP	TL (functional currency)	USD	EURO	GBP
1. Trade receivables	889,359	305,874			1,424,338	614,230		
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	889,359	305,874			5,848,008	2,520,878	500	260
5. Trade receivables					53,335	23,000		
6a. Monetary financial assets								
6b. Non-monetary financial assets								
7. Other								
8. NON-CURRENT ASSETS					53,335	23,000		
9. TOTAL ASSETS	889,359	305,874			5,901,343	2,543,878	500	260
10. Trade payables					1,372,565	588,614	2,704	
11. Financial liabilities								
12a. Monetary other liabilities								
12b. Non-monetary liabilities								
13. Short-term liabilities	916	315			1,372,565	588,614	2,704	
14. Trade payables								
15. Financial liabilities								
16a. Financial liabilities								
16b. Non-monetary liabilities								
17. LONG-TERM LIABILITIES								
18. TOTAL LIABILITIES	916	315			1,372,565	588,614	2,704	
19. Off balance sheet derivatives net asset/liability position(19a-19b)								
19a Active off balance sheet derivative(foreign currency)								
19b. Passive off balance sheet derivative(foreign currency)								
20. Net foreign currency asset liability position	888,443	305,559			4,528,778	1,955,264	(2,204)	260
21. Monetary accounts net foreign currency asset/liabilities position (1+2a+5+6a-10-11-12a-14-15-16a)	888,443	305,559			196,341	86,948	(2,204)	260
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 2015	Profit/(loss)		Shareholder's equit	y
	Devaluation of TL	Evaluation of TL	Devaluation of TL	Evaluation of TL
10% change in USD against TL;				
1-USD net assets/(liabilities)	88,844	(88,844)	88,844	(88,844)
2-USD proportion hedged from changes (-)				
3-USD net effect (1+ 2)	88,844	(88,844)	88,844	(88,844)
10% change in EURO against TL;				
4-EURO net assets/(liabilities)				
5-EURO proportion hedged from changes (-)				
6-EURO net effect (4+ 5)				
10% change in GBP against TL;				
7-GBP net assets/(liabilities)				
8-GBP proportion hedged from changes (-)				
9-GBP net effect (7+ 8)				
Total (3+6+9)	88,844	(88,844)	88,844	(88,844)

31 December 2014	Profit/(loss)		Shareholde	er'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;				
4-EURO net assets/(liabilities)	(6,217)	6,217	(6,217)	6,217
5-EURO proportion hedged from changes (-)				
6-EURO net effect (4+ 5)	(6,217)	6,217	(6,217)	6,217
10% change in GBP against TL;				
7-GBP net assets/(liabilities)	934	934	934	934
8-GBP proportion hedged from changes (-)				
9-GBP net effect (7+ 8)		(934)		
Total (3+6+9)	196,341	(196,341)	196,341	(196,341)

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 2015 and 31 December 2014:

	31 December 2015	31 December 2014
Financial instruments with fixed interest rates		
Financial assets	15,245,167	45,831,057
Time deposits	15,245,167	7,902,288
Bank Bonds		34,841,163
Lease certificate		3,087,606
Financial liabilities	14,746,955	16,737,916

Weighted interest rates which are applied to financial instruments as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
Financial instruments		
Time deposits –TL	11.29%	8.11%
Financial investment-TL		8.58%
Loans and borrowings-TL	8.00%	8.00%

24.4. 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.





25. FINANCIAL INSTRUMENTS

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

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

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

Financial assets

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

Trade receivables

As at 31 December 2015, 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.

Loans and borrowings

As at 31 December 2015, the fair value of loans and borrowings are calculated by using the Company's borrowing rate at the reporting date.

Trade and other pavables

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.

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

		31 December 2015		31 December 2014		
	Note	Carrying value	Fair value	Carrying value	Fair value	
Financial assets						
Trade receivables		29,110,237	28,929,857	12,301,751	12,254,151	
Financial liabilities						
Loans and borrowings		14,746,955	14,669,334		16,635,443	

Classification of fair value measurement

TERS 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 Classification requires using observable market data if possible. 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).



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

31 December 2015	Level 1	Level 2	Level 3	Total
Financial investments:				
Bank bonds				
Total financial assets				

31 December 2014	Level 1	Level 2	Level 3	Total
Financial investments:				
Bank bonds	34,841,163			34,841,163
Lease certificates	3,087,606			3,087,606
Total financial assets	37,928,769			37,928,769

26. SUBSEQUENT EVENTS

None.



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. below (31 December 2014: There is no incompliance). 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 30 September 2015, the Company complied with the restrictions that stated on the paragraph "a, b, c, c and d" of 24th substance, 22nd and 38th 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

	Financial statement primary accounts items	Regulations	31 December 2015 (TL)	31 December 2014 (TL)
А	Monetary and capital market instruments	Serial: III-48.1, Article 24/(b)	16,436,458	46,587,030
В	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article 24/(a)	887,066,081	816,622,098
С	Subsidiaries	Serial: III-48.1, Article 24/(b)		
	Due from related parties (non-trade)	Serial: III-48.1, Article 23/(f)		
	Other assets		71,213,238	65,197,538
D	Total assets	Serial: III-48.1, Article 3/(k)	974,715,777	928,406,666
Е	Loans and borrowings	Serial: III-48.1, Article 31	14,746,955	16,737,916
F	Other financial liabilities	Serial: III-48.1, Article 31		
G	Financial leasing obligation	Serial: III-48.1, Article 31		
н	Due to related parties (non-trade)	Serial: III-48.1, Article 23/(f)		
i	Equity	Serial: III-48.1, Article 31	879,448,866	827,793,895
	Other liabilities		80,519,956	83,874,855
D	Total liabilities and equity	Serial: III-48.1, Article 3/(k)	974,715,777	928,406,666
	Other financial information	Regulations	31 December 2015 (TL)	31 December 2014 (TL)
A1	Financial markets instruments held for three years payment of real estates	Serial: III-48.1, Article 24/(b)		
A2	Time deposit/ demand deposit/ TL / foreign currency	Serial: III-48.1, Article 24/(d)	15,638,727	8,326,483
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/©		
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	99,807,018	849,009
К	Mortgage amounts on land that project to be developed and the ownership does not belong the partnership	Serial: III-48.1, Article 22/(e)		

Portfolio Restrictions	Regulations	Calculation	Min/Max Rate	31 December 2015 (TL)	31 December 2014 (TL)
1 Mortgage Amounts on Land that Project to be Developed and the Ownership Does Not Belong the Partnership	Serial: III-48.1, Article22/(e)	K/D	Maximum 10 %		
2 Monetary and Capital Market Instruments	Serial: III-48.1, Article24/(a),(b)	(B+A1)/D	Minimum 51 %		87.96%
3 Real estates, based on Real Estates, Rights based on Real Estates	Serial: III-48.1, Article24/(b)	(A+C-A1)/D	Maximum 49 %	1.69%	5.02%
4 Monetary and Capital Market Instruments	Serial: III-48.1, Article24/(d)	(A3+B1+C1)/D	Maximum 49 %		
5 Idle Land	Serial: III-48.1, Article24/©	B2/D	Maximum 20 %		
6 Subsidiaries (Operating Companies)	Serial: III-48.1, Article28	C2/D	Maximum 10 %		
7 Borrowing Limit	Serial: III-48.1, Article31	(E+F+G+H+J)/İ	Maximum 500 %	13.03%	2.02%
8 Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article24/(b)	(A2-A1)/D	Maximum 10 %	1.60%	0.90%











By being the largest stakeholder of Istanbul International Finance Center Project (IFC), expanding its portfolio with office, residential and hospitality projects and having more than TL 50 million regular annual rental income from 25 building. Halk GYO keeps growing with profitability.





Şerifali Çiftliği Tatlısu Mah. Ertuğrulgazi Sok. No: 1 34774 Yukarı Dudullu - Ümraniye / İstanbul **T.**0 216 600 10 00 **F** 0 216 594 53 72 *www.halkgyo.com.tr*