

HALKGYO

Halk Real Estate Investment Trust... Investing in the Future...

2016 ANNUAL REPORT







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This report has been prepared in accordance with the Capital Markets Board's Serial II No: 14-1, Serial III No: 48-1, Serial II No: 17-1 and the Regulation texts dated 28.08.2012

CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITOR’S REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

KPMG

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah. Kavak Sok.
No:29 Beykoz 35805 İstanbul
Tel: +90 (216) 681 90 00
Fax: +90 (216) 681 90 90
www.kpmg.com.tr

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 (“POA”)

We have audited the accompanying annual report of Halk Gayrimenkul Yatırım Ortaklığı Anonim Şirketi, for the year ended 31st December 2016.

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 February 13, 2017 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.



“

We, as Halk GYO family, have carried out all projects under the principles of *“right project in proper location”* with our belief in quality and development throughout the journey we have started 6 years ago.

”

FROM THE CHAIRMAN OF THE BOARD...

Dear Shareholders,

Halk GYO, which completed its 6th year with the vision of “Sustainability in Growth and Profitability”, finalized the year of 2016 within its targets, by signing of new projects, despite of the fluctuation in the global economy, which also affects our country.

We, as Halk GYO family, have carried out all projects under the principles of “right project in proper location” with our belief in quality and development throughout the journey we have started 6 years ago. In this process, the support of our valuable stakeholders, trust, reputation and human resources that we have received so far constituted our biggest power.

We believe that the success and value of our company will continue to increase in every sense with our existing projects and investments to be realized.

Our priority in 2017 is to see the rise of Istanbul International Financial Center project, which was developed with the vision that Istanbul to be the regional and eventually the global financial center. This project will provide important support for creating new employment opportunities and economic growth in our country.

We, as one of the biggest stakeholders of Istanbul International Financial Center project, which will contribute to the depth and breadth of our country’s financial markets, are proud and happy that we will conclude the project of “Halk GYO IIFC Office Towers”, for which the main contractor company selection process was completed and the construction has been started.

First of all, I would like to express my gratitude to all of our shareholders and stakeholders, including my fellow colleagues with whom we wrote this success story together. I sincerely believe that we, together with you, shall complete 2017 with success.

Sincerely,



R. Süleyman ÖZDİL
Chairman of the Board

FROM OUR GENERAL MANAGER...

Dear Stakeholders,

It is worth mentioning that 2016, which we have left behind, was a challenging year for the our country and the whole world. We have experienced grave incidents such as uncertainties in the global markets, national and global terrorist attacks, geopolitical problems and most importantly the treasonous coup attempt targeting the democratic management system of our country. This difficult period has been overcome with minimal impact thanks to the sound stance of Turkish People that have shown for its belief to the democracy and the future of Turkey, and as well as the proactive stability of our country's economic management and all economic stakeholders.

Despite all these downsides, our company successfully completed the year of 2016 for all stakeholders with intensive and significant efforts to increase our value-added to our sector and our country's economy.

When we look at the figures, our company completed 2016 by continuing its steady growth, have managed to reach to TRY 1,9 billion in asset size and close the year with the net profit of TRY 107,7 million.

Our company, having enriched its portfolio with quality office, residence and hotel projects and has office and hotel buildings from which regular rental incomes are provided and 3 ongoing projects.

We have included Park Dedeman Levent Hotel and Şekerpinar Project in our commercial premises intensive portfolio from which we receive regular rent incomes, and initiated the proceedings for converting our Salıpaazarı Building to a hotel in line with our portfolio efficiency oriented strategy.

We mostly finished the sales of the "Referans Bakırköy" and "Eskişehir Panorama Plus" residential projects -in which the inhabitants started to live- significantly.

The sales and construction process of "Bizimtepe Aydos", where located in Sancaktepe, and which has been conducted jointly by Halk GYO and Vakıf GYO, and the projects of "Şehristan Konutları" which was developed jointly by Er Konut İnşaat A.Ş. a subsidiary of Erzurum Metropolitan Municipality, and which has begun to rise in the city center of Erzurum with the motto of "Şehrin Gözdesi" (favorite place of the city), have been continuing simultaneously and we have exceed the targets in terms sales process of the projects, In the second half of 2018, we shall start to deliver the units in these projects.

On the other hand, we will be building two towers consisting one 46-storey and one 34-storey towers and three 8-storey buildings within Istanbul International Finance Center project, being one of the most important projects of our country, developed with the vision ensuring Istanbul to be one of the leading financial centers in the world, we have completed the main contractor election process and are feeling the excitement of starting the project. The project, which brings the leading financial institutions of our country together, and will be a vibrant attraction center that lives 24 hours, will carry our Company to the top level in terms of size and profitability in the sector.

We estimate that our company shall achieve ROA (Return on Assets) of around 8% in 2017. We will continue our investments in 2017 with the "right project in proper location" strategy that we have determined to provide benefit to our country's economy, and to serve its economic, environmental and social welfare.

I would like to express my sincere gratitude to all our colleagues who became our partner for the dreams that realized or to be realized thanks to their utmost efforts, and I would like to pay my respect and thanks to Halkbank, as our main stakeholder, providing its full support to us, and the esteemed members of Board of Directors.

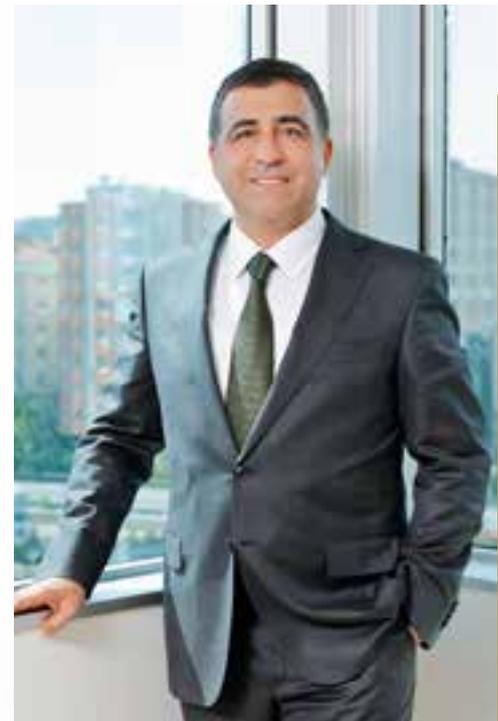
Sincerely,

“

It is worth mentioning that 2016, which we have left behind, was a challenging year for the our country and the whole world.

We have experienced grave incidents such as uncertainties in the global markets, national and global terrorist attacks, geopolitical problems and most importantly the treasonous coup attempt targeting the democratic management system of our country. This difficult period has been overcome with minimal impact thanks to the sound stance of Turkish People that have shown for its belief to the democracy and the future of Turkey, and as well as the proactive stability of our country's economic management and all economic stakeholders.

”



Dr. Feyzullah YETGİN
General Manager

COMPANY PROFILE

About the Company

As a subsidiary of Türkiye Halk Bankası A.Ş., in 2010, Halk Gayrimenkul Yatırım Ortaklığı A.Ş. which was founded with a capital of 477 million TL, including 466 million TL of “contribution in kind”, (Halk GYO) is a company that invests in real estate, real estate projects, real estate based rights and capital market instruments.

Our company; operates in accordance with the regulations of the Capital Market Board and the applicable legislations in its businesses, portfolio investment policies, and management restrictions.

Our company, IPO of which was conducted in February 2013 and traded in BIST 100, completed 2016 with the asset size with the fair value of TL 1,9 billion nearly, and the equity size with the fair value of TL 1,6 billion.

Headquarters

Şerifali Çiftliği Tatlısu Mahallesi Ertuğrulgazi Sokak
No:1 34774 Yukarı Dudullu Ümraniye/İSTANBUL

Phone Number

+90 216 600 10 00

Fax Number

+90 216 594 53 72

Website

www.halkgyo.com.tr

Trade Register Number

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.

Mision

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

2010 - 2011

October 2010
Establishment

April 2011
Beyoglu building's participation in the portfolio, developed and sold with a profit of 18.5 Million TL in September 2011

September 2011
Participation of the Bakırköy land in the portfolio

December 2011
Purchase of Halkbank Finans Tower building during project phase. Achieving a net profit of TL 30 million in the first fiscal year (2011) with the contribution of the sale of real estate to profitability



2013

January 2013
Start of Park Dedeman Levent Hotel project. Starting excavation and shoring works of the IFM project which was tendered by Emlak Konut GYO to Akdeniz İnşaat in November 2012



February 2013
Completion of public offering and receiving 250 million TL from public offering



April 2013
Start of Eskişehir Panorama Plus residential project

August 2013
Obtainment of building construction license for Şekerpinar Project Block A and starting construction

December 2013
The sale of the Karşıyaka land with a value of TL 18 million and getting profit of TL 9 million from the sales process

2015

March 2015
Transforming the Salıpazarı Building into a hotel project and renting out the Building to Beril Otelcilik ve Turizm Şirketi for 20 years

June 2015
Obtainment of building permits for the IFM project

July 2015
Completion of Park Dedeman Levent hotel project and delivery thereof to Dedeman Group



September 2015
Start of title deed transfer with buyer in Panorama Plus project

November 2015
Starting construction and sales of Bizimtepe Aydos Residential project realized with Vakıf GYO Partnership

December 2015
Renting out Şekerpinar Project Block A part for 10 years

2012

January 2012
Adding the Eskişehir land to the portfolio

February 2012
Tender of Bakırköy Osmaniye land with minimum net guarantee of TL 90.5 million

April 2012
Signing of 10-year lease contract for Levent Hotel with Dedeman Group

September 2012
Participation of Kocaeli Şekerpinar land in the portfolio

September 2012
Moving the Company's Head Office to Şerifali region



2014

January 2014
Referans Bakırköy project to start the title deed transfer process

March 2014
Obtainment of construction permit for Şekerpinar Project Block B

September 2014
Establishment of a joint venture with Vakıf GYO to develop a residential project in Istanbul Sancaktepe

October 2014
Purchasing a land with a cost of TL 110 million to develop the project that planned.

December 2014
Acquisition of EIA resolution for IFM project



2016

April 2016
Including Erzurum land in the portfolio, and establish a ordinary partnership with Er Konut A.Ş. to develop a residential project.

May 2016
Starting construction and sales of the Şehristan Residential project, which is carried out jointly with Er Konut A.Ş.



June 2016
Starting the tender process for the main contractor selection in the IFM project

November 2016
Selection of the main contractor for the Building at Caddebostan which is in the urban transformation process

December 2016
Completion of IFM project main contractor selection process and starting construction of the project

Board of Directors

The powers and responsibilities of the members of the Board of Directors are regulated in the Company's Articles of Association. The Company is managed by the Board of Directors and is represented outside, Board of Directors; Performs its duties assigned to it by the General Assembly in accordance with the Turkish Commercial Code, the Capital Markets Law and other relevant legislation. As of 31 December 2016, the Board of Directors consists of a total of 6 non-executive members, 2 of which are independent.

Name-Surname	Duty	Starting Date	Selection Date
Recep Süleyman ÖZDİL	President	31.08.2015	06.04.2016
Yüksel GÖRGEÇ	Vice President / Independent Member	14.05.2012	06.04.2016
Yunus KARAN	Member	14.05.2012	06.04.2016
Osman BEKTAŞ	Member	17.04.2015	06.04.2016
Hilali YILDIRIM	Member	06.04.2016	06.04.2016
Yahya BAYRAKTAR	Independent Member	10.04.2014	06.04.2016



Recep Süleyman ÖZDİL *Chairman of the Board*

Recep Süleyman Özdil was born in Istanbul 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, Vice General 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 Vice General Manager at İhlas 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.



Yüksel GÖRGEÇ *Vice Chairman*

He was born in Osmancık / Çorum in 1960. He graduated from Ankara University, Faculty of Political Sciences, Department of Economics - Finance. He started his career as an Assistant Inspector at Töbank. He served as Inspector, Branch and Unit Manager at the same bank. He then served as the Head of the Inspection Board, Branch and Unit Manager at Albaraka Türk Participation Bank A.Ş. He served as Vice Chairman of the Savings Deposit Insurance Fund and as a Member of the Fund Board between 2004 and 2010. He also simultaneously served as Board Member of Fonbank Board of Directors and Chairman of Star Group Media Companies. In our company; From 14.05.2012 onwards. GÖRGEÇ, who is an Independent Member of the Board of Directors, has been serving as Vice Chairman since 06.04.2016.



Yunus KARAN *Board member*

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

Osman BEKTAŞ *Board member*

Mr. Bektaş was born in Manisa in 1971. He graduated respectively from Ankara University, Academy of Politics. International Relations Department 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



Hilali YILDIRIM *Board member*

He was born in 1973 in Kirsehir. After graduating from Yıldız Technical University Computer Programming Department, Marmara University Faculty of Economics and Administrative Sciences, Department of Business Administration. Istanbul University, Marmara University, Marmara University, he still continues her PhD program. Yıldırım started his professional life in the field of information systems in Ziraat Bank in 1994. In 1997, Yıldırım worked as a deputy inspector to Esbank Inspection Board and worked in various departments of Inspection Board, Branch and Treasury departments of various banks. After serving as the Chairman of the Board of Inspectors, he was the Vice General Manager of Financial and Operational Operations at Ziraat Finansal Kiralama A.Ş. Currently, YILDIRIM, who works as an Advisor to the General Manager of Halkbank A.Ş. in Turkey and also a member of the Board of Directors at Halkbank Skopje, started as a member of the Company Board of Directors on 06.04.2016.



Yahya BAYRAKTAR *Board 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 ruing his service in the Supervisory Board of Yapi Kredi Bank during 1983-1988, he contributed to electronic auditing and computerized system transition works. 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 Inc. 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.



Authorities and Limitations of Board Members

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 2016, any action taken with the Company and any situation contrary to the prohibition of competition were not experienced.

Board of Directors Meetings

32 board meetings were held during the accounting period 2016, and 58 decisions were adopted in those meetings.

Independence Statements by the Board of Directors TO THE CAPITAL MARKETS BOARD

I hereby 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 the professional education, information and experience for conduct of the duties that I will assume as an independent board member.

I do not work as 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.

06.04.2016
Yüksel GÖRGEÇ
Independent Board Member

TO THE CAPITAL MARKETS BOARD

I hereby 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 the professional education, information and experience for conduct of the duties that I will assume as 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.

06.04.2016
Yahya BAYRAKTAR
Independent Board Member





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. Remuneration Committee holds meetings minimum once per annum, as other committees are convened for meeting 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, the other related 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.

Committee for Early Detection of Risk; 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, 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 2 meetings and took 2 decisions.

As of 31.12.2016 the committees and assignment of duties in such committees:

Members of the Audit Committee

Name Surname	Duty
Yüksel GÖRGEÇ	Chairman - Independent Board Member
Yahya BAYRAKTAR	Member-Independent Board Member

Members of Corporate Governance Committee

Name Surname	Duty
Yahya BAYRAKTAR	Chairman - Independent Board Member
Yunus KARAN	Member - Board Member
Uğur GÜNEY	Member- Investor Relations Group Head

Members of Committee for Early Detection of Risk

Name Surname	Duty
Yüksel GÖRGEÇ	Chairman - Independent Board Member
Yahya BAYRAKTAR	Member-Independent Board Member

Remuneration Committee

Name Surname	Duty
Yüksel GÖRGEÇ	Chairman - Independent Board Member
Yunus KARAN	Member - Board Member

Evaluation of the Board of Directors on the Effectiveness 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, excluding the Remuneration committee meetings to be held per annum, 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.

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.

Committee for Early Detection of Risk; 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 remunerations of Board of Directors and executives took place as a recommendation in 2015 Ordinary General Assembly and was approved.

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

Executives

Name Surname	Duty	Profession
Dr. Feyzullah YETGİN	General Manager	Financier
Uğur GÜNEY	Investor Relations & Strategic Planning & Advertising & Public Relations Group President	Banker
Erdal BEKİN	Project Application and Development Group President	Construction Engineer
Yaşar GÖKTAŞ	Financial Affairs & Fund Management & Sales & Marketing & HR & Administrative Affairs Group Vice President	Banker
Harun ŞAHİN	Director of Internal Audit & Risk Control and Management	Banker

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 936,620 as of the end of 2016. (31 December 2015: TL 832,223)

Changes in the Board of Directors and Executives

At the 2015 Ordinary General Assembly Meeting of our Company held on 06,04,2016, the agenda item for the 2016 Board of Directors election process was approved by the majority of the shareholders as follows,

- 1-) Mr. R.Süleyman ÖZDİL
- 2-) Mr. Yüksel GÖRGEÇ (Independent Member)
- 3-) Mr. Yunus KARAN
- 4-) Mr. Osman BEKTAŞ
- 5-) Mr. Hilali YILDIRIM
- 6-) Mr. Yahya BAYRAKTAR (Independent Member)

As a result of the decision of the Board of Directors of our Company on the same date, the assignment of the members of the Board of Directors elected and the committee members are determined as follows:

Mr. R. Süleyman ÖZDİL is assigned as the Chairman of the Board, Yüksel GÖRGEÇ as Vice Chairman,

Yüksel GÖRGEÇ (Chairman) (Independent Member) and Mr. Yahya BAYRAKTAR (Member) (Independent Member) are assigned as the members of the Audit Committee,

Mr. Yunus KARAN, (Member) and Mr. Uğur GÜNEY Investor Relations Group Chairman (Member) are assigned as the members of the Corporate Governance Committee

Members of the Early Detection Committee for Risk; Mr. Yüksel GÖRGEÇ (President) (Independent Member) and Mr. Yahya BAYRAKTAR (Member) (Independent Member) and

Membership of the Remuneration Committee; Mr. Yüksel GÖRGEÇ (President) (Independent Member) and Mr. Yunus KARAN (Member)

In July, Dr. Feyzullah YETGİN was appointed as the General Manager of the Company, and our Company's Vice General Manager, Mr. Şeref AKGÜL, resigned from his post,

The Company's Executive Board was established in July to keep a close watch on the company's activities and developments in the sector it is in and inform the Board of Directors when necessary; and to provide coordination between the administrative structure of the Company and the Board of Directors, and to develop appropriate strategies for the Company and to present proposals for the effectiveness of its activities; Mr. Yüksel GÖRGEÇ Vice Chairman and Board member is elected as the Executive President, Mr. Hilali YILDIRIM a Board Member and Mr. Dr. Feyzullah YETGİN, General Manager are assigned as the members of the Executive Board.

Capital of the Company and Shareholding Structure

The capital information and shareholding structure of our Company as of 31 December 2016 is as follows.

Capital Details

Registered Capital 790,000,000,-TL
Authorized Capital 1,500,000,000,-TL

	Group	Share Ratio%	31.12.2016		31.12.2015	
			Share Amount TL	Share Ratio %	Share Amount TL	Share Ratio %
Türkiye Halk Bankası A.Ş.	A	1.58	12,482,570,061	1.58	11,739,936,127	
Türkiye Halk Bankası A.Ş.	B	70.38	556,019,396,735	70.38	522,939,741,174	
Halk Yatırım A.Ş.	A	0.04	298,113,138	0.04	280,377,311	
Halk Finansal Kiralama A.Ş.	A	<0.01	1,189	<0.01	1,119	
Public Access Section*	B	28.00	221,199,918,877	28.00	208,039,944,269	
Capital Receipts		100.00	790,000,000,000	100.00	743,000,000,000	

* In free float, Türkiye Halk Bankası A.Ş. has 58,178,537,870 nominal shares as of 31,12,2016; Halk GYO has 22,271,814,466 nominal shares.

In order to increase the issued capital of the Company to TL 477,000,000 provided to be within TL 1,500,000,000 in the registered capital, to TL 662,500,000 in TL, Group B shares with the nominal value of TL 185,500,000 was approved by CMB on February 01, 2013, the shares that constitute 28 percent of the company's shares after the end of the public offering process were started to be traded with the "HLGYO" code in BIST as of February 22, 2013 after the public offering period on 13-14-15 February 2013.

The information on dividend distribution and the capital increases of the Company during and after the public offering is as follows:

Capital Increases

No	Completion Date	Source	Ratio	Former Capital	New Capital	Cash (DIVIDENDS) Payments
1	22.02.2013	Public Listing	38.888%	TL 477,000,000	TL 662,500,000	-
2	25.06.2013	Bonus shares from 2012 year profit	1.6813%	TL 662,500,000	TL 673,638,704	-
3	09.06.2014	Bonus shares from 2013 year profit	3.6015%	TL 673,638,704	TL 697,900,000	TL 3,0 million
4	15.06.2015	Bonus shares from 2014 year profit	6.4622%	TL 697,900,000	TL 743,000,000	TL 5,9 million
5	27.05.2016	Bonus shares from 2015 year profit	6.3257%	TL 743,000,000	TL 790,000,000	TL 5,4 million

The total share of 790,000,000 shares with TL 1 of the nominal value per share are composed of 12,780,684,388 Group A shares and 774,219,315,612 Group B shares.

The Company's Group A shares have the privilege of nominating candidates for the election of members of the Board of Directors.

24,358,46 registered –and not listed- shares, with TL 1 par value per share, of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. were transferred, with all rights and interest thereon, to our main shareholder Türkiye Halk Bankası A.Ş. at the closing price of the shares at the Stock Exchange on the date of signing of the share purchase/ sale agreement.

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 2016 are provided below:

Shareholder	Share
Türkiye Halk Bankası A.Ş.	79.33%
Ratio of Public Shares to Total Capital	71.96%
Public Payout Ratio to Total Capital	7.36%*

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

EVALUATION OF THE YEAR FROM JANUARY 1. 2016 – DECEMBER 31. 2016

Issuance of Major Communiqués, Amendments to the Regulations, and CMB Announcements

During the period;

In the capital markets of the country, the developments after the 15 July coup attempt were followed up closely by the CMB and the authorization issued in the Communiqué No: 22.1 of Series II No: 22.1 and the 10% limit for the transactions of the markets in a healthy way. The transaction bases for not exceeding 25% of the average amount of transactions have been arranged and public opinion has been made about the following matters:

1. Publicly traded companies that do not have a repurchase program in effect due to a decision taken by the general assemblies may take back their shares in the stock exchange without any limit, provided that the disclosure of the special case is made. Publicly held companies that carry out a repurchase program in accordance with a decision taken by the general assemblies may carry out their own shares in the stock exchange without any limitation by means of disclosing material facts and informing the competent authorities.

2. Currently, publicly traded partnerships that exceed the 10% limit may also be subject to additional redemption within the framework of the announcement.

3. Repurchase agreements within the scope of such announcements shall include purchases made by publicly traded partnerships themselves, without being subject to the conditions for the close and serious loss determination of the Communiqué.

4. Shares withdrawn in the framework of the announcement will not be available for 30 days from the announcement date. The “first in first out” method will be applied for the calculation of 30 days’ wages.

5. In case the withdrawn shares are withdrawn, the relevant articles of the Communiqué shall be complied with and the necessary public disclosures shall be made within the scope of the sixth clause of Article 12.

6. Repurchase transactions within the framework of our setup notice will not be considered within the scope of information abuse or market fraud.

In the REIT Communiqué Serial III No 48.1. the Article 17/2-3 “Qualifications of Members of the Board of Directors”, Article 23/1-f “Works not allowed”. Article 34 “Transactions Requiring Appraisal”, the Article 40-ç “Information Disclosure and Public Disclosure” were published in the Official Gazette 29951 dd. 17.01.2017 and have become effective.

Economic and Sectoral Developments

World Economy

For the world economy; monetary Policies of FED's ceasing interest rate increase for quite long time and Eurozone applying growth policies and seeing the positive effects of such applications, recession encountered by Japan and its efforts to save from such recession, the recovery scenario of China seen as the locomotive economy of global growth, decision of the UK on leaving from the EU, the election process in the US concluded with Trump's election as president, the civil war in Syria and the subsequent refugee process affecting most countries. Cyprus peace negotiations in Geneva. Aleppo developments, worldwide terrorist attacks and OPEC's agreement on reducing supply for the first time in 8 years, a day would start from January 2017, and declarations by Russia and Saudi Arabia confirming their supports for such agreement were the major economic and political developments in 2016.

Better than expected realization of macro indicators such as growth, unemployment rate and inflation, being effective on the monetary policy decision applied by USA during the year relieved the FED. In the third quarter of 2016, the US achieved 3,5 percent annual growth, showing the highest performance in the last two years, With the support of positive macro indicators, the Federal Reserve increased interest rates in the last meeting of 2016, raising the policy rate by 25 basis points to the range of 0.50-0.75 percent, The Fed recently closed its interest rate hikes in December 2015 with one interest rate increase, which had started with expectation of four interest rate increases, and also made the second interest rate increase in the last 10,5 years. Besides, it increased the interest rate increase expectations for 2017 from two to three.

While the Eurozone grew at 1.7 percent in the third quarter exceeding the expectations, the main contribution to this growth came from household final consumption expenditures. In October, the Eurozone managed to lower the unemployment rate to 9.8 percent, as the lowest rate in the last seven years, and maintained this rate in November. Along with the recovery in inflation data, the monetary policy of the EMB. which is the most important goal that has been determined to prevent deflation, has been followed closely throughout the year. The bank did not make any changes in interest rates.

"World Economic Outlook" report published in January 2016 shows that the slowdown in the Chinese economy, the tightening of the FED and the decline in commodity prices will continue to overwhelm developing countries with a global growth forecast of 3.4 percent for 2016 and 3 percent for 2017. The IMF said in its revised report released in April 2016, further reducing these estimates by 3.2 percent for 2016 and 3.5 percent for 2017. The Fund, which once again upgraded in July, said that Brexit has increased economic, political

and institutional uncertainties and that the decision taken by the UK will adversely affect macroeconomic investment, confidence, financial conditions and market sentiment, to; for the year 2016 to 3.1, and 2017 to 3.4 percent. In the same report published in January of 2017, the fund, which left the forecast of 2017 at 3.4 percent, predicted that global growth would be 3,6 percent in 2018, In the same report, the IMF revised its 2017 growth forecast for emerging markets from 4.6 to 4.4 percent, leaving it stable at 4.8 percent without changing its 2018 growth expectation.

The OECD said in its February Interim Economic Outlook Report that trade and investments would be weak and low demand would lead to low inflation and expected employment would not be improved and that the growth rate of world economy would be the lowest in the last five years, to 3 percent from 3.3 percent, and from 3.6 percent to 3.3 percent for 2017. In June, the report showed slow growth in trade and stagnation in investments, preserving these estimates and lowering the growth expectation of developed countries. The report, which was released in September, reduced global growth forecasts to 2.9 percent for 2016 and 3.2 percent for 2017, indicating that global recession has signaled a slowdown in global trade growth and contributed to the slowdown in world economic growth. In November, OECD revised its 2017 forecast to 3.3 percent while kept 2016 forecast unchanged and continued by saying global economy will grow by 3.6 percent in 2018, the best performance since 2011. The report also predicted that the US would grow by 2,3% and 3% in 2017 and 2018 respectively, and the OECD estimated that the Eurozone would grow by 1.6% and 1.7% respectively over the years indicated.

The World Bank estimated that the global economy, which is projected to grow by 2.3 percent in 2016, will gain some momentum in 2017 and expand by 2.7 percent in the January 2017 edition of the "Global Economic Outlook Report" published twice a year. Growth is accelerating compared to last year in 2017, cause rising market economies internal demand keeps to stay strong resulting with reducing the difficulties but the investment is still low, the report emphasized. The bank said global growth is expected to rise to 2.9 percent in 2018 and 2019. In a previous report published in June, these ratios were 2.8 percent for 2017 and 3 percent for 2018. In addition, expectations for growth in developed countries in 2017 and 2018 from 1.9 percent to 1.8 percent pulled. Similarly, 2017 forecasts, which were announced as 4.3 percent for emerging market economies, were revised to 4.2 percent and 2018 forecasts, which were announced as 4.7 percent, to 4.6 percent.

Turkish Economy

In the first and second quarters of 2016, Turkey's economy, which achieved 4.5 percent growth as a chain volume index (2009 = 100), contracted 1.8 percent in the third quarter of 2016. Despite a strong growth in the first half of the year, especially with the contribution of internal demand, the loss in the tourism sector followed by the treacherous coup attempt in the third quarter and the impact of global and geopolitical developments reflected as a contraction in Turkish economy after 27 quarters. Among the leading indicators of growth, industrial production also contracted by 3,2 percent in the third quarter.

The unemployment rate in the period was announced as 11,8 percent in October 2016. The number of unemployed increased by 500 thousand compared to the same period of the previous year and realized as 3 million 647 thousand persons. In the October Medium-Term Plan (MTP 2017-2019) report, the unemployment rate, which is on the rise due to the partial slowdown in growth, the contraction in agricultural employment and the increase in labor force participation, is expected to be 10,5 percent in 2016.

Annual CPI was announced as 8,53 percent in December and 9,94 as annual MPI. The highest monthly increase was in alcoholic beverages and tobacco group with 7,33 percent, while the highest annual increase was in alcoholic beverages and tobacco group with 22,61 percent. CBRT stated in December "Monthly Price Developments" report that the increase in inflation is due to rising dollar and oil prices, The bank also raised the forecast for 2017 from 6 percent to 6,5 percent. The estimate in the new OVP in October 2016, which is 7,5 percent for the 2016 CPI expectation, is 6,5 percent for 2017 and 5 percent for 2018.

In December 2016, the foreign trade deficit decreased by 10,3 percent to 5 billion 598 million dollars, In the same period, exports increased by 9 percent annually while imports increased by 2,3 percent, In this decline in foreign trade, the stronger demand from the strengthening of the EU economy and the positive contribution of precious metals and marine transport raw materials were effective.

Moody's, saying that they are watching the Turkish note after the developments in July, passes the update to be made on 5 August, and by saying Turkey's "increase in risks due to high-dimensional foreign financing needs and weakening of the supportive borrowing bases, especially growth and institutional strength". The credit rating of Turkey was surprisingly dropped from "Baa3" level to "Ba1" level and the outlook of the rating was determined to be "stable", thus reducing Turkey's credit rating below the investment grade.

The organization did not announce a new date for rating review on the credit rating of Turkey by removing it from its agenda, which it had announced, previously, to be conducted on 2 December, from its current agenda.

International credit rating agency Fitch Ratings (Fitch) raised its expectation for growth in 2016 from 3 percent to 3,5 percent in March, stating that consumer spending and macro policy stance are both loose, supported by rising wage rates and low oil prices. In May report, it noted that the government has struggled with structural weaknesses, noting that it has not changed, but that implementations have been delayed in recent years and that growth estimates for 2017 and 2018 were 3,6 and 3,5 percent respectively. In September, the assessment of the economic growth in Turkey was made at a rate of 3 percent for 2016 growth forecast, which was previously announced as 3,5, explaining that the economic data for July was "surprisingly bad" and "cautious" about the sustainability of the recent recovery dropped it. While the growth forecast for 2017 and 2018 was 3,2 percent and 3,5 percent respectively, Referring to "political uncertainty and security factors" on 27 January. Turkey's growth expectation in 2016 was reduced from 3 percent to 2,4 percent, drawing attention to the depreciation of TL and oil prices to double inflation, BB + "level, while the outlook for the note was "stable".

Another international rating agency, Standard & Poor's (S&P), noted that Turkey's "BB +" notation as "BB", which indicates that a rising uncertainty period is expected 5 days after the coup attempt in July and that this may limit flow of foreign capital in Turkey and the outlook was "negative". On January 27, the note that pointed to the inflation and exchange rate pressures and raised it to "stable" in November pulled back to "negative". The same explanation also noted that the economy was estimated to grow by about 2 percent in 2016 and that economic growth in 2017 would be 2,4 percent, S&P announced that the growth of the Turkish economy is expected to grow by 3,2 percent this year.

In the previous days, investment funds (especially pension funds), which had an arrangement to invest in treasuries with a rating on or above the investment threshold, had to exit from Turkey as the two of the three rating agencies remained below the investment threshold. Therefore the impact of Fitch's recent decision about Turkey was not felt that much.

%	World Bank			IMF			MTP			OECD		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Growth	2.1	2.7	3.5	3.3	3.0	-	3.2	4.4	5.0	2.9	3.3	3.8
Inflation	8.5	9.0	8.5	8.4	8.2	-	7.5	6.5	5.0	7.9	7.7	7.3
Unemployment	-	-	-	10.2	10.2	-	10.5	10.2	-	10.1	10.7	10.7
Current Balance / GDP	-4.1	-5.0	-5.5	-4.4	-5.6	-	-4.3	-4.2	-	-3.9	-4.7	-4.5

Developments in the Sector

The construction sector grew by 5,1 percent in the first quarter of 2016, by 15,7 percent in the second quarter, and by 1,4 percent in the third quarter. This decrease in growth rate in the third quarter stemmed from the stagnation in July and August, while housing sales campaigns, reductions in mortgage interest rates, increase in the rate of mortgage lending by banks to 80% and capital market instrument regulations such as real estate certificates and real estate portfolio management companies, it started to recover. The sector continued to be among the sectors that provided the most employment in the third quarter of 2016 in general.

The Construction Revenue Index, an important sector-wide data, increased by 3,3 percent in the third quarter of 2016 compared to the same quarter last year. Construction Production Index in the third quarter of 2016 decreased by 0,3 percent compared to the same quarter last year.

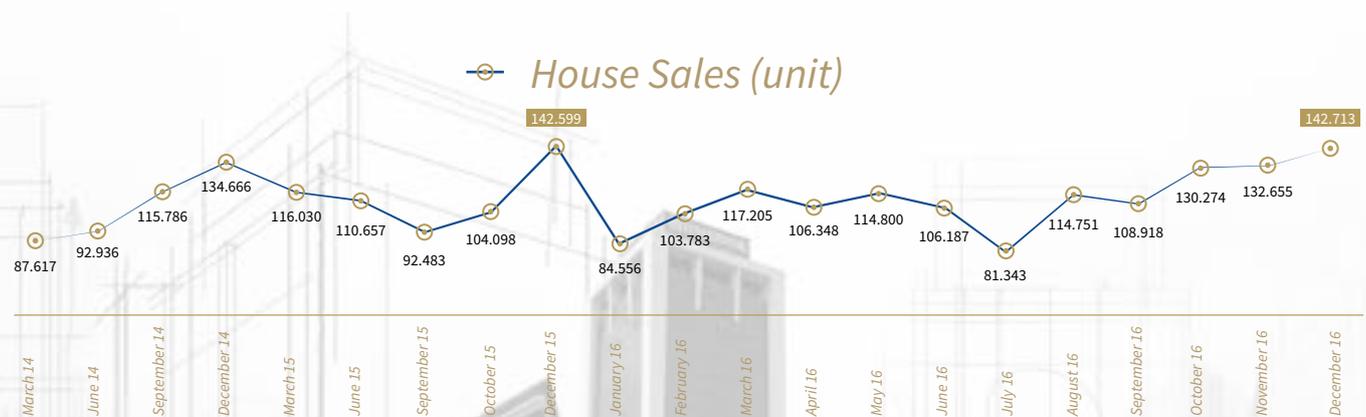
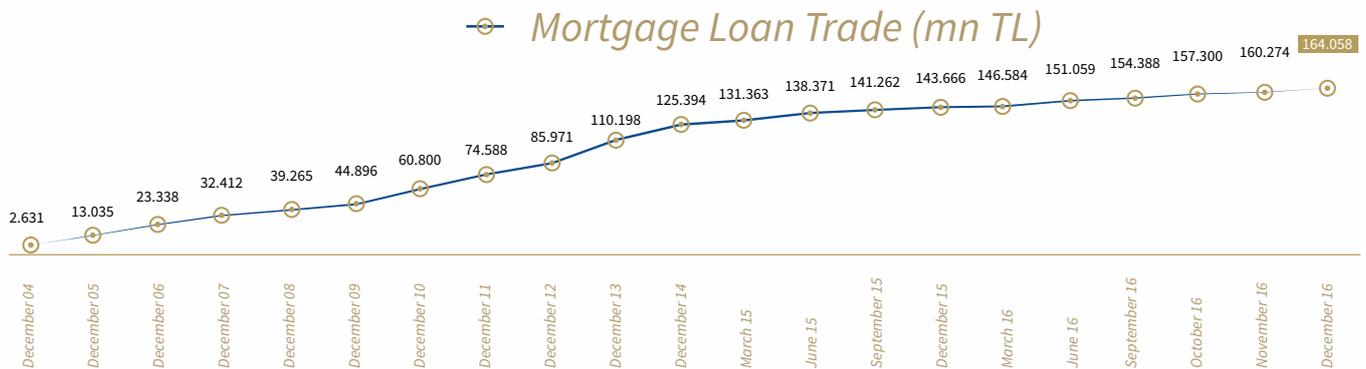
In the first nine months of 2016, the area of buildings of which construction permits granted from the municipalities

increased by 6,1 percent. The total area of the structures is 143,5 million m²; of which 79,6 million m² were residential, 35,1 million m² were non-residential and 28,8 million m² were common usage areas.

The area of buildings for which occupancy permits were given was decreased by 0,3 percent. The total area of the constructions is 101,0 million m² for the period, and 57,7 million m² thereof were residential units, 24,5 million m² were non-residential and 18,7 million m² were common usage areas.

In the beginning of 2016, housing loan interest rates, which had been on average 1,21 percent, fallen to an average of 0,96 percent at the end of the year, in parallel to falling interest rates.

The volume of residential loans reached to 164 billion TL at the end of December, and the share in total loans was at 9,29 percent.



The Housing Price Index was 224,05 as of November, Unit prices, which are calculated as housing value per square meter, were 1,752,29 TL / m² in November 2015 and 1,928,19 TL / m² in November 2016.

Şehristan



ŞEHRİSTAN

01 JANUARY 2016 - 31 DECEMBER 2016 ACTIVITIES OF THE BOARD OF DIRECTORS

Works Related to the Portfolio

During the 2016 fiscal period;

Following the pre-qualification bid for the main contractor selection which was completed in June for the office buildings we will build within İstanbul International Finance Center Project, a service contract was signed with YDA İnşaat Sanayi ve Ticaret A.Ş. on “Turnkey Lump Sum Price” method, for TL 751,5 million (excl, VAT). The construction for the Project was started at the end of the year.

After renting out Şekerpinar Block A for 10 years in April 2015, our company decided to work with the consultant company in the rental / sale process to the third parties for the “Block Office Şekerpinar” building, the Block B of “Şekerpinar Project”, and after some market research, a service contract was signed with Kuzeybatı Gayrimenkul Hizmetleri Danışmanlık Trading Co. in December.

In December, the amendment license was granted for the hotel conversion process of Salıpazarı Building leased to Beril Otelcilik Tic.Ltd.Şti. which was planned to serve as a hotel in accordance with the decision of the Board of Directors.

Within the framework of the Law Concerning the Transformation of Areas under Disaster Relief Numbered

6306, urban transformation has entered into the process and a total of 5 independent units, in order to receive services during the reconstruction process of Caddebostan Building, and the main contracting service contract was signed with CNV Yapı Mimarlık San. Tic. Ltd. Şti. in November.

As of April, 50% of the land owned by Er Konut A.Ş. a subsidiary of Erzurum Metropolitan Municipality was purchased at TL 17,500,000,- TL + VAT and HALKGYO - ER KONUT Joint Venture (Ordinary partnership) was established with 50 percent- 50 percent, for each of the partners, to develop a common house project on the land purchased. The launching of the project, for which the construction license was received and the main contractor election process was completed, in May, and the construction and sales process of the project which started in the same period continues simultaneously.

The lease period of Ataşehir Finance Tower building, which is leased out to Halkbank, our main stakeholder, and which is used as the Halkbank Headquarters building, with the lease contract valid for 4 years, signed in April 2012, 01.04. Effective from 2016, a new lease agreement Effective from 2016, a new lease agreement has been signed for a the monthly rent of 400,000,-USD + VAT and has been extended for 1 year.

General Assembly, Capital Increase and Articles of Association

As per the decision of our Board of Directors dated 09 March 2016, the Ordinary General Assembly Meeting of our Company for the year of 2015 was held on April 6, 2016 Wednesday at 14:30 at the address of the Company headquarters under the supervision of the Minister Representative Mr, Erdoğan YURDAKUL assigned by the letter with number 15104547 dated 05 April 2016 issued TC İstanbul Governorship Provincial Commercial Directorate, with presence of 157,154 shares out of total 743,000,000 shares with a nominal value of TL 1 in person, and 590,746,361,240 shares by proxy, indicating participation rate of 79.50%.

At the this General Assembly;

- The decision of the Board of Directors regarding the dividend payments for the year 2015 was approved, and the cash dividend amount of TL 5,423,900 shareholders was paid out to our shareholders on April 11. 2016.

- As per the Board of Directors dated on the same date, an application was made for capital increase to the Capital Markets Board on April 18, 2016 for capital increase for distribution of bonus shares with the value of TL 47,000,000, and the application was approved by the Capital Market Board with number 16-555 dated 12.05.2016. The distribution of such bonus shares was started on 25.05.2016 and was completed on 27.05.2016. The capital increase was registered on 26.05.2016 and the revised articles of incorporation were published in the Trade Registry Gazette with the serial number 9087 dated 01.06.2016.

The related General Assembly resolutions were registered on 11.04.2016.

Transactions performed 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 2016 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 36,883,071, We have cash and cash equivalents valued at TL 50,724,380 in our bank accounts at Türkiye Halk Bankası A.Ş. as of the end of December 31. 2016. Our company has a financial debt valued at TL 12,549,963 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 detailed descriptions related to the transactions performed by our Company with the related parties in 2016 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;

"All the transactions performed in 2016 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 issued by the Board of Directors for the Period 01.01.2016-31.12.2016

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 2016

Banks	
Halk Bank A.Ş. (Demand deposit)	812,955
Halk Bank A.Ş. (Term deposit)	49,757,297
Halk Bank A.Ş. (Pos Account)	154,128
Total	50,724,380

Other Receivables to Related Parties	
Halk Bank A.Ş.	416
Total	416

Prepaid expenses	
Halk Sigorta A.Ş.	216,938
Halk Hayat ve Emeklilik A.Ş.	3,289
Expenses Activated in Investment Properties and Stocks Under Construction	
Halk Bank A.Ş.	118
Loan Contributions to Related Parties	
Halk Bank A.Ş.	1,746,272
Total	1,966,617

Financial borrowings	
Halk Bank A.Ş. -Short term	3,397,355
Halk Bank A.Ş. -Long term	9,152,608
Total	12,549,963

Trade payables to related parties	
Halk Sigorta A.Ş.	46,773
Halk Bank A.Ş.	16,491
Total	63,264

Revenues from Related Parties

31 December 2016

Rent income	
Halk Bank A.Ş.	36,664,702
Halk Sigorta A.Ş.	92,184
Halk Hayat ve Emeklilik A.Ş.	76,185
Halk Faktoring A.Ş.	-
Total	36,883,071

Interest income	
Halk Bank A.Ş. Vadeli Mevduat Faiz Geliri	6,109,911
Halk Yatırım Menkul Değerler A.Ş. Finansal Yatırım Faizi	90,800
Total	6,200,711

54% of the Company's income in the interim period ended on December 31, 2016 consists of income from related parties.

Related Party Expenses

31 December 2016

Expenses	
Insurance expenses paid to related parties	
Halk Sigorta A.Ş.	(621,580)
Halk Hayat ve Emeklilik A.Ş.	(24,508)
Interest expenses paid to related parties	
Halk Bank A.Ş.	(1,383,050)
Operating expenses paid to related parties	
Halkbank A.Ş.	(6,923)
Halk Yatırım Menkul Değerler A.Ş.	(2,500)
Total	(2,038,561)

1.1. Transactions with the Dominant Company

1.1.1 Incomes

a-) Rent income

Our company has been given 20 rentable properties in its portfolio to Türkiye Halk Bankası A.Ş. and has collected rental income regularly throughout the year. These leases were accrued on the lease value determined in accordance with the REIT Communiqué of the CMB and rent increases were made by using annual CPI + CPI / 2 ratio, The total rental income during the year is TL 36,664,702 In these transactions, no financial interest was provided to the dominant company or its affiliated company and the loss of our Company was not mentioned.

b-) Interest incomes

On the transactions conducted with Türkiye Halk Bankası A.Ş. TL 6,109,911 interest income was received on the time deposits, In these transactions, no financial benefit was provided to the dominant company or the affiliates, and our Company did not make any loss on such transactions.

1.1.2. Expenses

a-) Bank Interest Expenses

In 2016, interest of TL 1,383,050 was generated for the loan that our company used from Türkiye Halk Bankası A.Ş. In these transactions, no financial benefit was provided to the dominant company or the affiliates, and our Company did not make any loss on such transactions.

b-) Expenses for Bank Transactions

Our Company is a member of Türkiye Halk Bankası A.Ş. TL 6,923 activity has occurred due to the transactions it has done with, In these transactions, no financial benefit was provided to the dominant company or the affiliates, and our Company did not make any loss on such transactions.

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 1,746,272 as loan contribution payment and TL 118 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 income

Halk Sigorta A.Ş.

Our property, at the address of Akdeniz Mah. Cumhuriyet Bulvarı No:45 Konak / İzmir, had been rented to Halk Sigorta A.Ş. and in 2016, the total rent of TL 76,185 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 Bulvarı No:45 Konak / İzmir, had been rented to Halk Hayat ve Emeklilik A.Ş. and in 2016, the total rent of TL 92,184 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.

b-) Other Revenues

Halk Yatırım Menkul Değerler A.Ş.

Halk Yatırım Menkul Değerler A.Ş. Of which TL 90,800,- financial investment has earned interest income. In these transactions, no financial interest was provided to the dominant company or its affiliated company and and our Company did not meet any loss.

1.2.2. Expenses

a-) Insurance Expenses

Halk Sigorta A.Ş.

The result of the health insurance policies created by Halk Sigorta A.Ş. in the scope of the rights provided to our personnel by the buildings, fixtures and fire is TL838,788 insurance deduction in 2016, TL216,938 prepaid expense is TL621,580 period As a result. In these transactions, no financial interest was provided to the dominant company or its affiliated company and our Company did not meet any loss.

Halk Hayat ve Emeklilik A.Ş.

Private pension and standard group life insurance policies made to Halk Hayat ve Emeklilik A.Ş. as a result of the rights provided to the end of the personnel in the year 2016. TL 27,797, TL 3,289 is capitalized as prepaid expenses, TL 24,508,- was realized as a period-end, In these transactions, no financial interest was provided to the dominant company or its affiliated company and our Company did not meet any loss.

b-) Operating Expenses

Halk Yatırım Menkul Değerler A.Ş.

Because of the actualized transactions with Halk Yatırım Menkul Değerler A.Ş. TL 2,500 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. Transactions Made With The Dominant Company

None available.

3. The Transactions in Favor of Dominant Company or Affiliated Companies

None available.

Precautions Taken

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 transactions including 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 2016.

Related to this operating period of 2016, we declare that our Company did not experience such a loss through an action raised due to known circumstances.

FINANCIAL PERFORMANCE

Major Financial Indicators

Income Statement Data (TL)	01.01.2016 - 31.12.2016	01.01.2015 - 31.12.2015
Total Revenue	79,567,962	99,656,111
Residential Sales Revenues	24,587,761	55,429,807
Building Rent Income	47,930,935	42,065,203
Financial Income	7,049,266	2,161,101
Cost of Sales	(14,222,613)	(28,815,988)
Residential Sales Cost	(12,943,217)	(26,930,338)
Other Costs	(1,279,396)	(1,885,650)
Gross Profit	65,345,349	70,840,123
General and administrative expenses	(13,029,882)	(8,879,352)
Sales - Marketing Expenses	(5,098,168)	-
Other income from main operations *	69,866,427	147,315,393
Other Expenses from Main Activities *	(7,976,173)	(4,732,635)
Operating Profit	109,107,553	204,543,529
Financial Expenses	(1,440,497)	(1,623,127)
Profit for the Period	107,667,056	202,920,402
Balance Sheet Data (TL)	31.12.2016	31.12.2015
Assets	1,854,839,975	1,623,069,383
Equity	1,630,195,744	1,527,802,472
Financial Debt	12,549,963	14,746,955
Profitability	31.12.2016	31.12.2015
Average Active Profitability	6.19%	13.29%
Average Equity Profitability	6.82%	14.20%
Basic Ratios	31.12.2016	31.12.2015
Financial Debt/Equity	0.77%	0.97%
Equity/Total Assets	87.8%	94.2%

* To begin with the financial statements of 31.12.2016, our Company changed its investment property to the method of accounting at fair value instead of cost value. The effect of the change in the related method on the financial statements as of 31.12.2016 is detailed in the footnote 2.1.4 of our independent audit report.

2016 Realizations & 2017 Targets

Our company had recognized the investment properties at cost values before, and starting from the year 2016, decided to recognize investment properties and tangible assets at their fair values.

As a result of this decision, in our financial statements for the year ending 2016, the effect of “fair value difference” is seen on “total assets (sources)”, “equity” and “net income for the period” items.

At the end of the year, our Company posted a net profit of TL 107,7 million, a shareholder equity of TL 1,630 million and an asset size of TL 1,855 million, contributing of the increase in the value of investment properties, Our company’s average return on equity realized as 6.82% and the average return on assets was 6.19%.

Our main income items are rent income, residential sales revenue and financial income, The total income of our company reached to TL 80 million by the end of 2016 and the real estate size is close to TL 1,9 billion with the last precedent values. House sales income of our company, which has 23 offices and 1 hotel building bringing regular rent incomes and has 5 projects, raised its rental income by 14% compared to the last year by TL 48 million, reduced by 55% compared to the last year, due to the failure to realize the title deed transfers at the desired level, in İstanbul based Referans Bakırköy and Eskişehir based Panorama Plus residential projects.

With its strategic portfolio management strategy our company has continued its investments during 2016, established a joint venture with Er Konut İnşaat A.Ş. which is an affiliate of Erzurum Metropolitan Municipality in May, for realization of “Şehristan Residential” project, It is planned that deliveries and construction will be made in 2018 for such residential project including 620 houses, Construction and sales are continuing simultaneously in the project “Bizimtepe Aydos” including 1,037 houses started in 2015 in the Sancaktepe region with a partnership with Vakıf GYO.

Our company has accelerated renting / sales process studies to 3rd parties for the building “Halk Office Şekerpinar” which is the B Block part of “Şekerpinar Project” in which A Block part was rented for 10 years in April 2015. In line with the plan in 2016, the consultancy firm selection was made for the marketing process of the completed real estate, It is expected to finalize the lease or sale period of real estate in 2017.

The renovation license for transformation of our Salıpazarı building used as office and bank branch to hotel was obtained in December, It is aimed to complete the renovation process for the hotel in 2017.

As the most important project of our company, İstanbul Financial Center project, the main contractor tender process has been completed during the period as planned for 2016, and was awarded to YDA İnşaat A.Ş. on the “Turn-key Lump Sum Price”, and the main contractor service contract for the value of TL 751,5 million was signed in December. The construction of the project started at the end of the year.

As in previous years, during the year 2017, the properties located at key locations in our Company’s portfolio will continue to be considered within the portfolio’s productive management strategy.

We anticipate that the Company will achieve an ROaA (return on average asset) around 8% in 2017, continuing its investments with its main strategy of “to develop real estate portfolio heavily based on the commercial property where can be gained higher rental yield and to provide high return to its shareholders using equity weighted financing model”.

DETAILS OF THE ASSETS AND RIGHTS IN THE PORTFOLIO

Real Estate Statement (As of 31.12.2016)

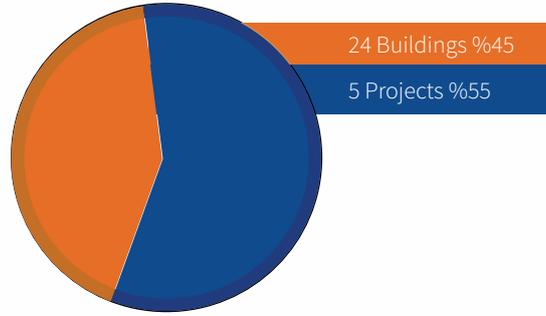
REAL ESTATE	Buying Portfolio Date	2016 Year-End * Appraisal Value (TL)
Projects		
İstanbul Financial Center Project	28.10.2010	¹ 646,462,575
Bizimtepe Aydos Residential Project	16.10.2014	249,195,000
Erzurum Şehristan Residential Project	07.04.2016	93,189,000
Eskişehir Panorama Plus Residential Project	24.01.2012	² 22,090,209
Referans Bakırköy Residential Project	09.09.2011	² 11,713,271
Projects Total		1,022,650,055
Buildings		
İstanbul Halkbank Finance Tower	29.12.2011	186,636,280
Park Dedeman Levent Hotel	28.10.2010	165,378,233
Şekerpınar Banking Center	11.09.2012	88,704,000
Halk Office Şekerpınar	11.09.2012	70,300,584
İstanbul Salıpazarı Building	28.10.2010	49,362,000
İstanbul Karaköy Building	28.10.2010	32,600,000
İzmir Konak Building 1	28.10.2010	25,130,000
İstanbul Beyoğlu Building	28.10.2010	24,555,000
İstanbul Bakırköy Building	28.10.2010	21,500,350
İstanbul Beşiktaş Building	28.10.2010	18,320,000
Ankara Kızılay Building	28.10.2010	17,013,475
İstanbul Etiler Building	28.10.2010	16,766,000
İstanbul Şişli Building	28.10.2010	15,135,034
İzmir Konak Building 2	28.10.2010	14,482,000
Bursa Building	28.10.2010	13,200,000
Kocaeli Building	28.10.2010	11,862,000
Ankara Başkent Building	28.10.2010	11,854,750
İstanbul Ataköy Building	28.10.2010	11,260,000
İstanbul Fatih Building	28.10.2010	11,253,750
Sakarya Adapazarı Building	28.10.2010	10,875,000
İstanbul Caddebostan Building	28.10.2010	¹ 11,225,000
Ankara Bahçelievler Building 1	28.10.2010	9,860,000
İstanbul Nişantaşı Building	28.10.2010	8,549,250
Ankara Bahçelievler Building 2	28.10.2010	8,100,000
Buildings Total		853,922,706
Total Portfolio		1,876,572,761

* Appraisal Values are the imputed values in appraisal reports,

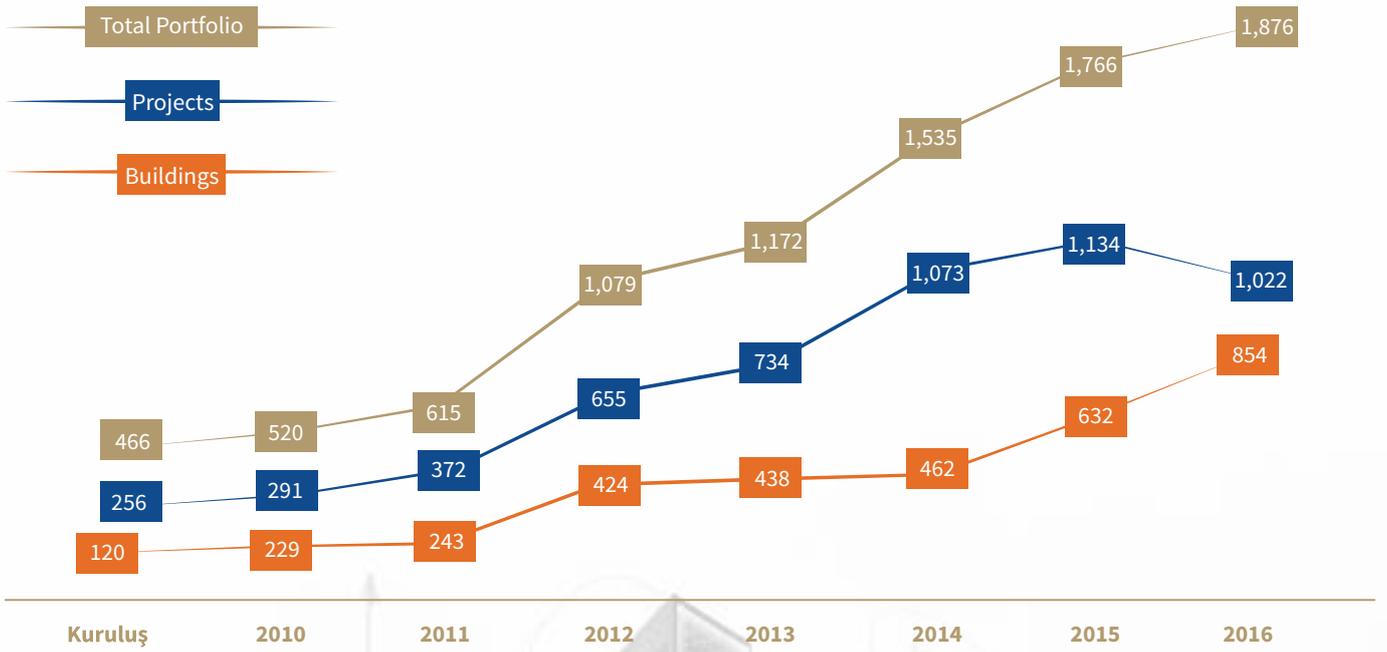
1- Land value.

2- Total values of unsold in each of related projects as of year end.

Real Estate Distribution (According to Last Appraisal Values)



Real Estate Appraisal Values (TL)



Details of Leased Properties

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

Real Estate With Rental Income	Lessee	Intended Use	Annual Rent Income (TL)
Halkbank Finance Tower	Halkbank	Head Office	15,199,980
Park Dedeman Levent Hotel	Dedeman Grup	Hotel Building	9,137,850
Şekerpinar Banking Center	Halkbank	Banking Center	5,547,331
Karaköy Building	Halkbank	Branch Bank	1,397,550
Beyoğlu Building	Halkbank - Hazine Müşterarlığı	Branch Bank Office	1,394,884
Bakırköy Building	Halkbank	Branch Bank	1,331,000
Kızılay Building	Halkbank	Branch Bank	1,282,600
Konak Building 1	Halkbank	Branch Bank	1,270,500
Beşiktaş Building	Halkbank	Branch Bank	1,210,000
Başkent Building	Halkbank - Ceda Akaryakıt	Branch Bank Hotel	1,021,218
Etiler Building	Halkbank	Branch Bank	943,800
Şişli Building	Halkbank	Branch Bank	931,700
Bursa Building	Halkbank	Branch Bank	892,980
Konak Building 2	Halkbank - Halk Emeklilik - Halk Sigorta	Branch Bank	873,194
Kocaeli Building	Halkbank	Branch Bank	847,000
Sakarya Adapazarı Building	Halkbank	Branch Bank	773,553
Ataköy Building	Halkbank	Branch Bank	747,175
Bahçelievler Building 1	Halkbank	Branch Bank	673,970
Bahçelievler Building 2	Koton	Shop	663,778
Fatih Building	Halkbank	Branch Bank	605,000
Nişantaşı Building	Halkbank	Branch Bank	508,200
Eskişehir Panorama Plus D Block Commercial Unit	Migros	Market	151,861
Eskişehir Panorama Plus B Block Commercial Unit	Zülfiye Dilşad Dumlupınar	Shop	72,600
Toplam			47,477,724

* As Caddebostan Building is in urban transformation and Salıpazarı Building is in the process of hotel conversion, they are not included in the properties with rental income.

Company Affiliates and Subsidiaries & Joint Activities

The Company does not have any associates or subsidiaries as of 31 December 2016. Information on the joint ventures of the Company is as follows:

Halk GYO – Vakıf GYO Ordinary Partnership

	31 December 2016	31 December 2015
Fixed assets	56,212,076	20,707,816
Current assets	113,175,403	72,250,814
Short-term liabilities	(2,745,975)	(630,357)
Long-term liabilities	(171,312,519)	(92,348,198)
Equity	19,925	19,925
Net assets	(4,651,090)	--

	1 Ocak – 31 Aralık 2016	1 Ocak – 31 Aralık 2015
Revenues	--	--
Expenses	(4,651,090)	--
Net loss	(4,651,090)	--

Halk GYO – Er Konut Ordinary Partnership

	31 December 2016	31 December 2015
Fixed assets	13,626,495	--
Dönen varlıklar	46,046,528	--
Short-term liabilities	(871,588)	--
Long-term liabilities	(58,902,340)	--
Equity	(50,000)	--
Net assets	(150,905)	--

	1 January - 31 December 2016	1 January - 31 December 2015
Revenues	--	--
Expenses	(150,905)	--
Net loss	(150,905)	--

Money and Capital Markets Instruments

	31 December 2016	31 December 2015	31 December 2014
Banks-Term deposit	50,290,076	15,245,167	7,902,288
Banks-Undated deposit	844,566	393,560	424,195
Other cash equivalents (*)	166,784	797,731	331,778
Total cash and cash equivalents included in the statement of financial position	51,301,426	16,436,458	8,658,261
Accrued interest income on cash equivalents	(513,749)	(42,791)	--
Total cash and cash equivalents included in the cash flow statement	50,787,677	16,393,667	8,658,261

* As of 31 December 2016, 31 December 2015 and 31 December 2014, the Company's other cash and cash equivalents consist of credit card receivables due to residential sales made from Erzurum Şehristan Residential and Bizimtepe Aydos Project. As of 31 December 2016, the details of time deposits in banks are as follows:

31 December 2016	Amount	Nominal interest rate (%)	Maturity
Term deposit			
TL	6,860,197	10.80%	19 January 2017
TL	5,875,305	10.80%	5 January 2017
TL	5,054,590	10.80%	12 January 2017
TL	4,093,068	10.75%	19 January 2017
TL	4,078,357	11.00%	19 January 2017
TL	4,078,357	11.00%	12 January 2017
TL	4,008,607	8.75%	12 January 2017
TL	4,001,913	8.75%	19 January 2017
TL	3,516,525	10.80%	12 January 2017
TL	2,034,863	11.00%	5 January 2017
TL	1,777,942	8.00%	2 January 2017
TL	1,610,859	10.80%	5 January 2017
TL	1,428,880	8.00%	2 January 2017
TL	727,281	8.00%	2 January 2017
TL	702,907	8.00%	2 January 2017
TL	355,980	8.00%	2 January 2017
TL	65,412	8.00%	2 January 2017
TL	19,033	8.25%	2 January 2017
Total	50,290,076		

***COMPLETED
PROJECTS***



PARK DEDEMAN

PARK DEDEMAN

APA G

PARK DEDEMAN LEVENT HOTEL

Province	İstanbul
District	Şişli / Levent
Last Appraisal Value	TL 165 million

Our hotel project in the portfolio of our company, constructed in 2013 and completed in 2015 at Levent area, is our company's first investment in the tourism sector. It will meet the much felt need for business hotels on Mecidiyeköy- Maslak line in İstanbul, 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
HALK GYO's Share Value Cost (2016 December)	TL 6,1 million
HALK GYO's Share Last Appraisal Value (Value of Unsold Units)	TL 11,7 million
HALK GYO's Share	50.5%
Contractor	Biskon Yapı A.Ş.

Located in İstanbul province of Bakırköy District of Osmaniye, 1224 Ada 2 and 1225 Ada 1 parcels are included in the portfolio of our company, Biskon Yapı A.Ş. "Referans Bakırköy" project, which is constructed according to the method of "Sharing Revenue of Land Sales", consists of 254 residential units and 73 commercial units, totaling 327 independent units,

Within the scope of the Project, 291 units of 327 units were sold as of December 31, 2016, with total gains of TL 200,6 million from such sales.

As of December 31, 2016, the title deed transactions of 262 units were completed and the total amount of the transactions made is TL 178,6 million.







PANORAMA

BHALUCYO

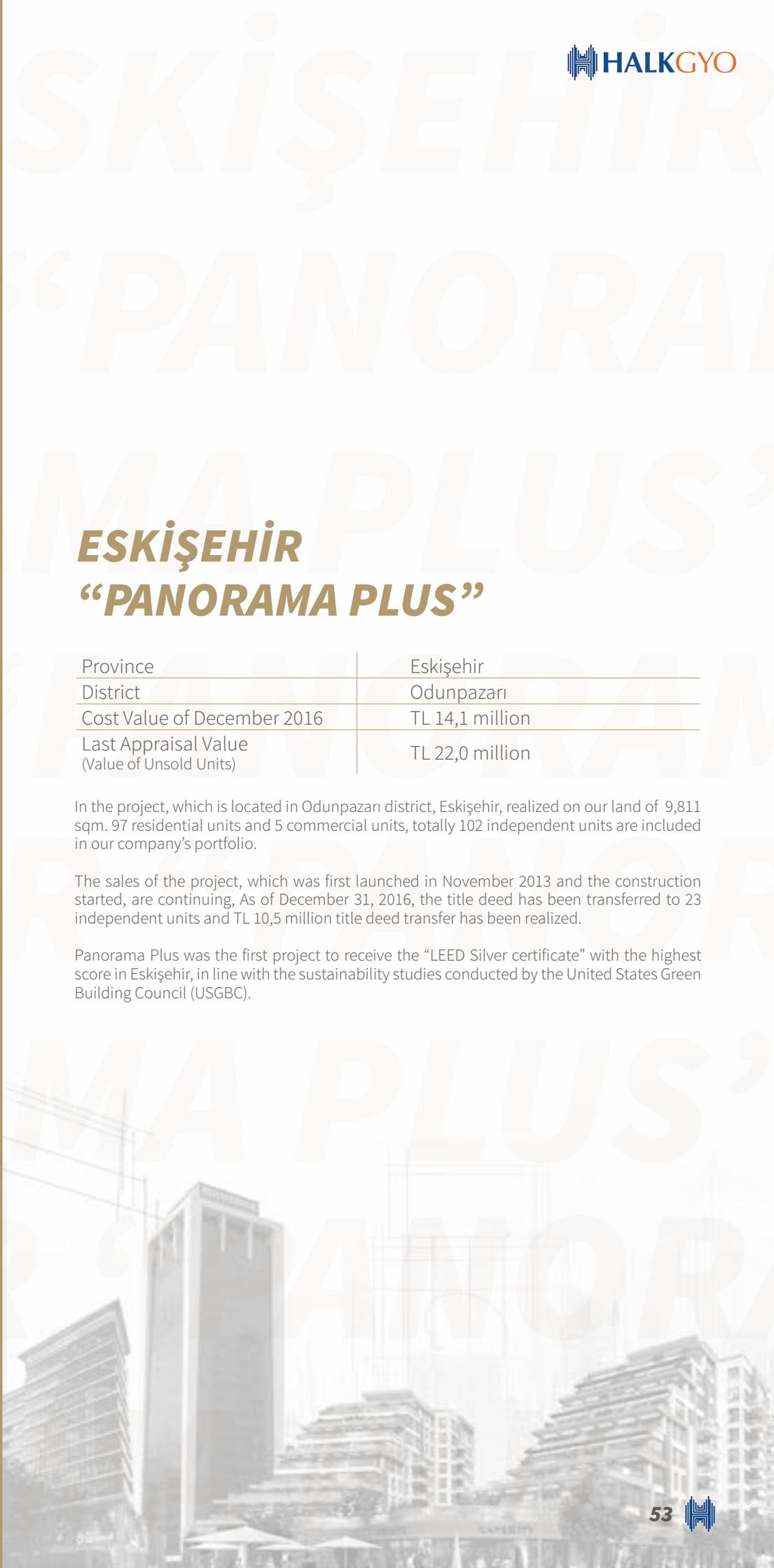
ESKİŞEHİR “PANORAMA PLUS”

Province	Eskişehir
District	Odunpazarı
Cost Value of December 2016	TL 14,1 million
Last Appraisal Value (Value of Unsold Units)	TL 22,0 million

In the project, which is located in Odunpazarı district, Eskişehir, realized on our land of 9,811 sqm. 97 residential units and 5 commercial units, totally 102 independent units are included in our company's portfolio.

The sales of the project, which was first launched in November 2013 and the construction started, are continuing. As of December 31, 2016, the title deed has been transferred to 23 independent units and TL 10,5 million title deed transfer has been realized.

Panorama Plus was the first project to receive the “LEED Silver certificate” with the highest score in Eskişehir, in line with the sustainability studies conducted by the United States Green Building Council (USGBC).



ŞEKERPİNAR PROJECT

Province	Kocaeli
District	Şekerpınar
Last Appraisal Value	TL 159 million

“Şekerpınar Project” built in Kocaeli Şekerpınar, on our land of 15,652 sqm included in the Company’s portfolio in September 2012, has total approximate usage area of 62 thousand m2 including A and B Blocks.

Block A of the project was leased out for 10 years in April 2015, Our environmentally friendly building is the owner of “LEED GOLD” certificate.

A contract has been signed with Kuzeybatı Gayrimenkul Danışmanlık A.Ş. for the service procurement for marketing process of for the B Block “Halk Ofis Şekerpınar”.





ONGOING PROJETS



ISTANBUL INTERNATIONAL FINANCIAL CENTER PROJECT

Province	İstanbul
District	Ümraniye
Land Surface Measurement	28,732 sqm
Land Appraisal Value	TL 646,4 million

As Halk GYO, we are one of the major stakeholders of the İstanbul International Financial 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.

The project will collect central banks such as Halkbank, Vakıfbank, Ziraat Bank and BDDK, CMB and Central Bank in a single center.

After the completion of the project, it has been signed a goodwill agreement with Türkiye Halk Bankası A.Ş. for the leasing of the land to be determined in the direction of the needs and demands of Türkiye Halk Bankası A.Ş. for a value to be determined by a CMB licensed real estate appraisal company.

Construction permit licenses were received and the contractor firm selection process was completed and the construction started at the end of the year.

BİZİMTEPE AYDOS RESIDENTIAL PROJECT

Province	İstanbul
District	Sancaktepe
HALK GYO's Share Value Cost (2016 December)	TL 104,4 million
HALK GYO's Share Appraisal Value	TL 249,2 million
HALK GYO's Share	50%

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

The construction and sales of the Project intended to meet the housing demand in the region as it is located close to İstanbul International Finance Center were started in November 2015.









ERZURUM ŞEHRİSTAN RESIDENTIAL PROJECT

Province	Erzurum
District	Yakutiye
HALK GYO's Share Value Cost (2016 December)	TL 31,2 million
HALK GYO's Share Appraisal Value	TL 93,2 million
HALK GYO's Share	50%

The land in Erzurum province Yakutiye district, which was owned by Er Konut İnşaat, was included in the portfolio in April to develop a residential project. Within the scope of the project realized with 50% -50% partnership of Halk GYO-Er Konut İnşaat Ordinary partnership, it will comprise 13 blocks, each with 13-storey, and totally 620 residential and commercial units on a land of 23,734 m².

The construction licenses had been taken for the project and construction and sale process started after its launch on May 13th.



SALIPAZARI ZARI OTEL TEL PROJ

SALIPAZARI HOTEL PROJECT

Province	İstanbul
District	Beyoğlu
Last Appraisal Value	TL 49,3 million

The feasibility studies for the most effective evaluation of the Salıpazarı Building, which is located in the Halk GYO portfolio and serving as a bank branch and an office, were made and new use alternatives were investigated and the use of the building as a “hotel” as a result of the studies conducted will be the most efficient form of utilization in terms of contribution to the company’s portfolio has been achieved.

A “leasing contract” was signed with Beril Otelcilik Turizm Ticaret Ltd, Şti, quoted the highest guaranteed rental income at the end of the tender made based on the decision adopted for long term leasing of the property, after completion of the renovation of the property for use as real property.

According to the related contract, the rental price is determined as 34 million 350 thousand Euros for 20 years.





Portfolio Limitations Information

Financial statement primary accounts items		Regulations	31.12.2016 (TL)	31.12.2015 (TL)
A	Monetary and capital market instruments	Serial: III-48.1 Article, Md.24/(b)	51,301,426	16,436,458
B	Real estates, based on real estates, rights based on real estates	Serial: III-48.1 Article, Md.24/(a)	1,658,628,593	1,535,419,687
C	Subsidiaries	Serial: III-48.1 Article, Md.24/(b)	--	--
	Due from related parties (non-trade)	Serial: III-48.1 Article, Md.23/(f)	--	--
	Other assets		144,909,956	71,213,238
D	Total assets	Seri: III-48.1 Article, Md.3/(k)	1,854,839,975	1,623,069,383
E	Loans and borrowings	Serial: III-48.1 Article, Md.31	12,549,963	14,746,955
F	Other financial liabilities	Serial: III-48.1 Article, Md.31	--	--
G	Financial leasing obligation	Serial: III-48.1 Article, Md.31	--	--
H	Due to related parties (non-trade)	Serial: III-48.1 Article, Md.23/(f)	--	--
I	Equity	Serial: III-48.1 Article, Md.31	1,630,195,744	1,527,802,472
	Other liabilities		212,094,268	80,519,956
D	Total liabilities and equity	Seri: III-48.1 Article, Md.3/(k)	1,854,839,975	1,623,069,383

Other financial information		Regulations	31.12.2016 (TL)	31.12.2015 (TL)
A1	Financial markets instruments held for three years payment of real estates	Serial: III-48.1 Article, Md.24/(b)	--	--
A2	Time deposit/ demand deposit/ TL / foreign currency	Serial: III-48.1 Article, Md.24/(b)	51,134,642	15,638,727
A3	Foreign capital market instruments	Serial: III-48.1 Article, Md.24/(d)	--	--
B1	Foreign real estates, projects, based on real estates	Serial: III-48.1 Article, Md.24/(d)	--	--
B2	Idle land	Serial: III-48.1 Article, Md.24/(c)	--	--
C1	Foreign Subsidiaries (operating companies)	Serial: III-48.1 Article, Md.24/(d)	--	--
C2	Subsidiaries (operating companies)	Serial: III-48.1 Article, Md.28/1 (a)	--	--
J	Non-cash loans	Serial: III-48.1 Article, Md.31	179,978,289	99,807,018
K	Mortgage amounts on land that project to be developed and the ownership does not belong to the partnership	Serial: III-48.1 Article, Md.22/(e)	--	--
L	Total investments of monetary and capital market instruments at one company	III-48.1 Md.22/(l)	--	--

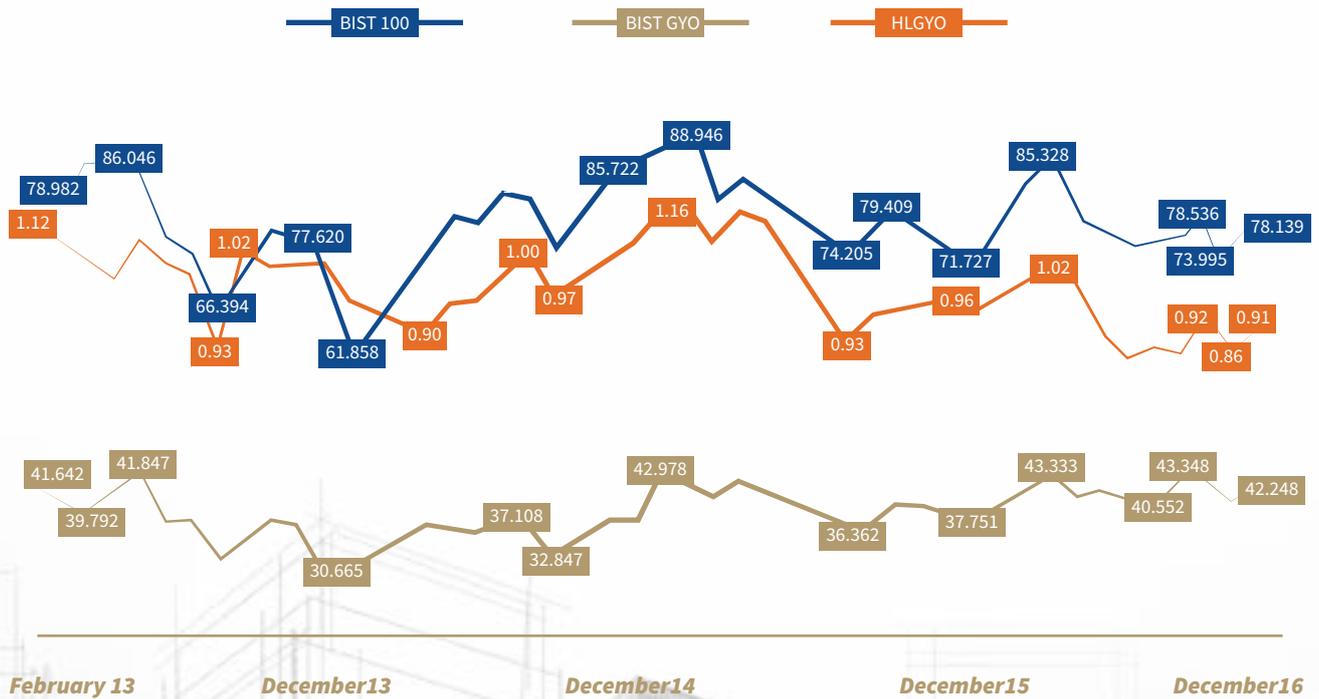
Portfolio Restrictions	Regulations	Calculation	Min/Max Rate	31.12.2016 (TL)	31.12.2015 (TL)
1	Mortgage Amounts on Land that Project to be Developed and the Ownership Does Not Belong to the Partnership	Serial: III-48.1 Article, Md.22(e)	K/D Maximum 10%	--	--
2	Monetary and Capital Market Instruments	Serial: III-48.1 Article, Md.24/(a),(b)	(B+A1)/D Minimum 51%	89.42%	94.60%
3	Real estates, based on Real Estates, Rights based on Real Estates	Serial: III-48.1 Article, Md.24(b)	(A+C-A1)/D Maximum 49%	2.77%	1.01%
4	Monetary and Capital Market Instruments	Serial: III-48.1 Article, Md.24(d)	(A3+B1+C1)/D Maximum 49%	--	--
5	Idle Land	Serial: III-48.1 Article, Md.24(c)	B2/D Maximum 20%	--	--
6	Subsidiaries (Operating Companies)	Serial: III-48.1 Article, Md.28(a)	C2/D Maximum 10%	--	--
7	Borrowing Limit	Serial: III-48.1 Article, Md.31	(E+F+G+H+J)/I Maximum 500%	11.82%	7.50%
8	Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1 Article, Md.24(b)	(A2-A1)/D Maximum 10%	2.76%	0.96%
9	Total investments of monetary and capital market instruments at one company	Serial: III-48.1 Article, Md.22(1)	L/D Maximum 10%	--	--

SHARE 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 DIVIDENDS, BIST REIT, BIST FINANCIALS, BIST ALL SHARES, and BIST 100 indexes,

As of December 2016	Piece	Rate (%)	Marketing Value (TL)
Closing Price			0,91
Total Shares	790,000,000		718,900,000
Total Public Access Shares	221,199,919	28.00	201,291,926
Other Shares in Actual Circulation	140,749,567	17.82	128,082,106
HALKBANK's shares from BIST	58,178,538	7.36	52,942,469
HALKGYO's shares from BIST	22,271,814	2.82	20,267,351

In December 2016, the BIST 100 index increased by 8.94% compared to the previous year, while the GYO index increased by 12% in one year performance. The share of the company decreased by 5.2% in annual terms and realized the closing of the year at TL 0,91. The Company is at the 8th rank in the sector with TL 720 million in terms of market value as of the end of the period.



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 Company

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

Appraisal Companies

A Artı Bir Gayrimenkul Değerleme A.Ş.

Public Relations and Advertising Agency

M&G Reklam Hizmetleri

Project Marketing and Consulting Company

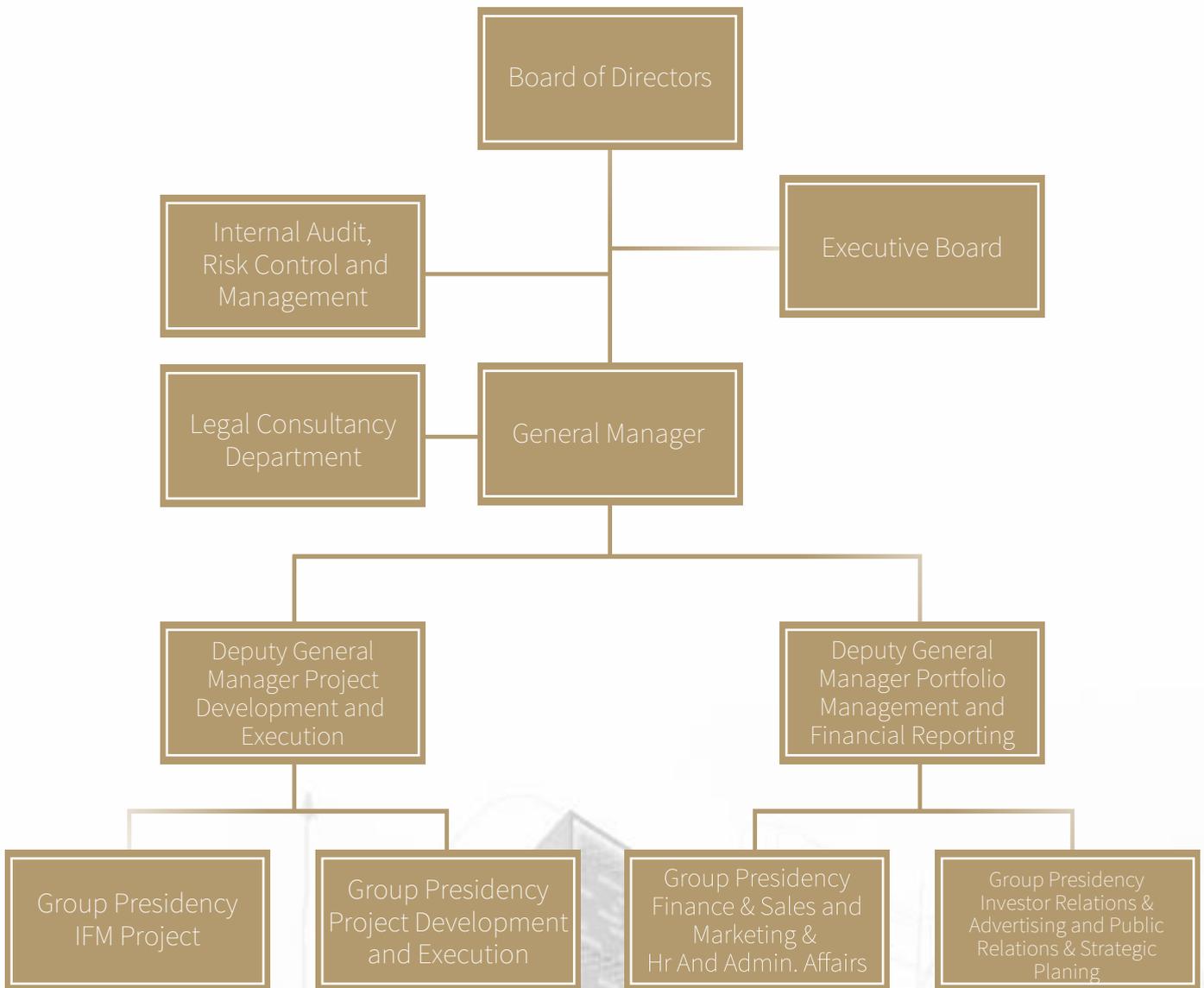
Aremas Pazarlama ve Danışmanlık Hizmetleri Ltd. Şti.
Kuzeybatı Gayrimenkul Hizmetleri Danışmanlık ve Ticaret A.Ş.

OTHER ISSUES

Human Resources and Organization

Halk GYO continues their operations under a structure consisting of Legal Consultancy Department, 4 Group Presidencies bound up with General Management, and Managements bound up with Group Presidencies. Our Company's number of personnel is 40, as of 31.12.2016. (31.12.2015: 39)

The organizational structure of our Company is provided figure:



Employee 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

During the period, the donation transaction amounted to TL 3,550,000. The TL 550,000 portion of the donation amount was provided as a contribution to the aid campaigns launched for families and relatives of our martyrs and veterans, as well as the construction and repair operations of the Turkish Grand National Assembly, which was damaged by the failed coup attempt on July 15, and the rest of it was made to Sancaktepe Municipality within the scope of social responsibility project.

Research and Development Activities

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

SUBSEQUENT EVENTS

In accordance with the decision taken by our Board of Directors, the Company will be serviced by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. for corporate governance and credit rating processes and a two-year contract has been signed for both services.

In accordance with the decision of the Board of Directors; According to the Capital Market Board's Communiqué on Principles Regarding Real Estate Investment Trusts, for the year 2017, the portfolio will be provided with the services of "A Artbir Gayrimenkul Değerleme A.Ş." in the valuation of the existing real estates, and for the assets to be valued in 2017. "A Artbir Gayrimenkul Değerleme A.Ş." or "Epos Gayrimenkul Danışmanlık ve Değerleme A.Ş." has been decided.

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING 2016

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 2016.
3. Reading, discussion and approval of the balance sheets and profit/loss accounts for the 2016 financial and fiscal year.
4. Discharging of the Board Members from liabilities in 2016.
5. Discussing and deciding about the Board of Directors' proposal for the distribution of 2016 operating profits.
6. 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.
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. 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.
11. Informing the General Assembly by regarding Real Estate Investment Trust Communique Article 37 and informing about operations with related party in 2016 according to the regulations of Corporate Governance Communique.
12. Informing the General Assembly by regarding Corporate Governance Principles' 1.3.6 article of CMB.
13. Informing the shareholders in respect of the donations granted within the year of 2016
14. Wishes, requests and closing.

PROFIT DISTRIBUTION FOR THE YEAR 2016 (TL)

1. Paid-In / Issued Capital		790,000,000,00
2. General Legal Reserves (Based on the Legal Records)		12,677,121,55
Information regarding privileges in profit distribution, if any, according to the Articles of Association		0,00
	Based on Capital MarketsBoard	Based on Legal Records
3. Profit for the Period	107,667,056,00	34,779,702,99
4. Taxes (-)		
5. Net Profit for the Period (=)	107,667,056,00	34,779,702,99
6. Former Year Losses(-)		
7. General Legal Reserve (-) ⁽¹⁾	1,765,130,90	1,765,130,90
8. Net Distributable Profit For the Period (=)	105,901,925,10	33,014,572,09
9. Donations Given within the year (+)	3,550,000,00	
10. Net Distributable Current-Year Profit Including donation for distribution of first dividend (1)	109,974,840,05	
11. First Shareholders Dividend	33,000,000,00	
- Cash	3,000,000,00	
- Bonus	30,000,000,00	
- Total	33,000,000,00	
12. Dividends For Preferred Shareholders		
13. Dividends For Board of Directors, Personnel etc. ⁽²⁾	522,914,95	
14. Dividends For Owners of Usufruct Shares		
15. Second Dividend For Shareholders		
16. İkinci Tertip Yasal Yedek Akçe ⁽³⁾	0,00	
17. Statuary Reserves	0,00	
18. Special Reserves	0,00	
19. Extraordinary Reserves	72,901,925,10	14,572,09
20. Other Sources Planned For Distribution	0	0,00
- Retained Earnings	0	
- Extraordinary Reserves	0	0,00
- Other Reserves Distributable According to the Law and Articles of Association	0	0,00

INFORMATION REGARDING TOTAL DISTRIBUTED DIVIDEND RATIO

Group	Total Dividend Amount		Total Dividend Amount / Net Distributable Dividend Amount (TL) Ratio (%)	Dividend Per Share Valued TL 1,00, Amount (TL)		
	Cash (TL)	Bonus (TL)	Ratio (%)	Amount (TL)	Ratio (%)	
Net	A	48,534,24	485,342,45	0.50%	0,04	4.18
	B	2,951,465,76	29,514,657,55	30.66%	0,04	4.18
	Total	3,000,000,00	30,000,000,00	31.16%	0,04	4.18

1) Net Profit for the Period based on Capital Markets Board and Legal Records is respectively TL 107,667,056 and 34, TL 779,702,99 Because of recognising as an expense by making provision of the dividend amounting TL 522,914,95 to be distributed to Board Members and personnel is added to General Legal Reserve basis and Net Distributable Current-Year Profit Including donation in Profit Distribution table.

2) Procedures and principles of the dividend to be distributed to personnel and the General Manager will be determined by Board of the Directors.

Annex 1: Summary of Period End Appraisal report on Assets

PROJECTS



İSTANBUL INTERNATIONAL FINANCIAL CENTER PROJECT

Report Date	22.12.2016
Report Number	2016-HAL�GYO-12
Appraisal Date	16.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	There are 16,337,10 and 12,394,57 sq meters of landscapes located in İstanbul İli, Ümraniye District, Küçükbakkalköy District, 3328 island 4 parcels and 3328 island 11 parcels.
Appraisal Value	(Excluding VAT) TL 646,462,575



İSTANBUL "BİZİMTEPE AYDOS" RESIDENTIAL PROJECT

Report Date	29.12.2016
Report Number	2016-HAL�GYO-13
Appraisal Date	25.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	A residential project located on a plot of land of 95,221,84 sqm located on the parcel of 8085 island, 36 in the province of Sancaktepe, İstanbul.
Appraisal Value	(Excluding VAT) TL249,195,000
HALK GYO's Share	50%

ERZURUM ŞEHRİSTAN RESIDENTIAL PROJECT

Report Date	28.12.2016
Report Number	2016-HALKGYO-27
Appraisal Date	24.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Erzurum province Yakutiye District Gez Township The residential project on the land registered on 12 parcels, 250 parcels and 10 parcels.
Appraisal Value	(Excluding VAT) TL93,189,000
HALK GYO's Share	50%



REFERANS BAKIRKÖY RESIDENTIAL PROJECT

Report Date	13.12.2016
Report Number	2016-HALKGYO-5
Appraisal Date	09.12.2016
Date Of The Base Contract	15.08.2016
Short Description Of The Property	Residence + commercial project located on Istanbul Parish, Bakırköy District, Osmaniye District, 1224 island 2 parcels and 1225 island 1 parcels
Appraisal Value (For independent section not sold as of appraisal report date)	(Excluding VAT) TL11,713,271





ESKİŞEHİR “PANORAMA PLUS” RESIDENTIAL PROJECT

Report Date	19.12.2016
Report Number	2016-HALGGYO-11
Appraisal Date	12.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Eskişehir province, Odunpazarı District located on the plot of the residential project.
Appraisal Value (For independent section not sold as of appraisal report date)	(Excluding VAT) TL 22,090,209

BUILDINGS



ISTANBUL HALKBANK FINANCE TOWER

Report Date	27.12.2016
Report Number	2016-HALGGYO-14
Appraisal Date	23.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	13 flats, 92 office real estate properties located in Block B of the main real estate in which registered floor easement has been established with the qualification “Reinforced Concrete Building and Aras” in İstanbul İli, Ataşehir District, Küçükbakkalköy District, 3332 island.
Appraisal Value	(Excluding VAT) TL 186,636,280

ISTANBUL “PARK DEDEMAN LEVENT HOTEL”

Report Date	27.12.2016
Report Number	2016-HALKGYO-15
Appraisal Date	23.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	18-floors Reinforced Concrete Hotel and its Ark “registered in İstanbul province Şişli District, Mecidiyeköy District, 1957 island, 6 parcel number” qualified immovable,
Appraisal Value	(Excluding VAT) TL 165,378,233



ŞEKERPINAR BUILDING

Report Date	22.12.2016
Report Number	2016-HALKGYO-28
Appraisal Date	16.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Kocaeli Province, Çayırova District, located on the intersection of Şekerpınar real estate
Appraisal Value	(Excluding VAT) TL 159,004,584





İSTANBUL SALIPAZARI BUILDING

Report Date	16.12.2016
Report Number	2016-HALKGYO-16
Appraisal Date	12.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Real estate registered with 10-storey Reinforced Concrete Building category located in İstanbul İli, District of Beyoğlu, Kılıçalı Quarter, 138 sections, 57 lots and 14 parcels
Appraisal Value	(Excluding VAT) TL 49,362,000



İSTANBUL ATAKÖY BUILDING

Report Date	16.12.2016
Report Number	2016-HALKGYO-24
Appraisal Date	12.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Basement + ground + 1 normal floor + tow floors are located in Kartaltepe Quarter, 51 sheets, 115 islands, 174 parcels in the province of Bakırköy in the province of İstanbul,
Appraisal Value	(Excluding VAT) TL 11,260,000

İSTANBUL BAKIRKÖY BUILDING

Report Date	16.12.2016
Report Number	2016-HALKGYO-19
Appraisal Date	12.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	There are 2 basements + ground floor + 5 normal floor buildings in the grounds of Istanbul, Bakırköy, Zeytinlik Quarter, 16 plot, 101 island, 29 parcels.
Appraisal Value	(Excluding VAT) TL 21,500,350



İSTANBUL BEYOĞLU BUILDING

Report Date	14.12.2016
Report Number	2016-HALKGYO-18
Appraisal Date	09.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	It is a business building consisting of 2 basements + ground + suspended + 6 normal floors and 9 independent sections located in 8 parcels of 338 islands, in Hüseyinağa District, Istanbul, in Beyoğlu District.
Appraisal Value	(Excluding VAT) TL 24,555,000





İSTANBUL BEŞİKTAŞ BUILDING

Report Date	16.12.2016
Report Number	2016-HALGGYO-22
Appraisal Date	12.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Istanbul İli, Beşiktaş District, Sinanpaşa District, 291 islands, 93 parcel registered office block bank service building
Appraisal Value	(Excluding VAT) TL 18,320,000



İSTANBUL CADDEBOSTAN BUILDING

Report Date	16.12.2016
Report Number	2016-HALGGYO-21
Appraisal Date	12.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Independent departments with 1,2,3,4,5 numbers in the main property registered on the land located in İstanbul İli, Kadıköy District, Erenköy District, 106/4 section, 368 island, 25 parcel
Appraisal Value (land value of precedent)	(Excluding VAT) TL 11,225,000

İSTANBUL ETİLER BUILDING

Report Date	16.12.2016
Report Number	2016-HALKGYO-20
Appraisal Date	12.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Building in Istanbul, Beşiktaş District, Bebek Neighborhood, 578 islands, 3 parcels
Appraisal Value	(Excluding VAT) TL 16,766,000



İSTANBUL FATİH BUILDING

Report Date	16.12.2016
Report Number	2016-HALKGYO-25
Appraisal Date	12.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	In the provincial Fatih District of Istanbul, Hobyar Mahallesi, basement + ground + 4 normal buildings
Appraisal Value	(Excluding VAT) TL 11,253,750





İSTANBUL KARAKÖY BUILDING

Report Date	12.12.2016
Report Number	2016-HALKGYO-17
Appraisal Date	09.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Basement + Ground + 1 (Hanging) +2 of Kargir Business Hotel which is located in Istanbul, Beyoglu District, Mueyyetzade District, 102 islands and 3 parcels, It is the immovable property of the "Bank with Extensions" numbered 1 independent section on the normal floor.
Appraisal Value	(Excluding VAT) TL 32,600,000



İSTANBUL NİŞANTAŞI BİNASI

Report Date	16.12.2016
Report Number	2016-HALKGYO-26
Appraisal Date	12.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Main real estate registered in Istanbul province, Şişli Province, Halaskargazi District, 680 islands, 14 parcels.
Appraisal Value	(Excluding VAT) TL 8,549,250

İSTANBUL ŞİŞLİ BUILDING

Report Date	16.12.2016
Report Number	2016-HALKGYO-23
Appraisal Date	12.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Istanbul province, Şişli province, Meşrutiyet neighborhood, 954 islands, 62 parcels 200,00 m ² plot area under the carpark apartment building with skilled building
Appraisal Value	(Excluding VAT) TL 15,135,034



ANKARA BAHÇELİEVLER BUILDING 1

Report Date	13.12.2016
Report Number	2016-HALKGYO-31
Appraisal Date	09.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	The immovable property registered in the province of Ankara is located in the central Çankaya District, the Upper Bahçelievler Quarter, 2758 on the island 29 and is registered with the title "1, 2 and 6 independent department no, 2 housing units and 1 bank branch"
Appraisal Value	(Excluding VAT) TL 9,860,000





ANKARA BAHÇELİEVLER BUILDING 2

Report Date	16.12.2016
Report Number	2016-HALGGYO-32
Appraisal Date	12.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Ankara, province Çankaya District, 2763 land 10 parcels ground floor 9 "Warehouse Workplace"
Appraisal Value	(Excluding VAT) TL 8,100,000



ANKARA KIZILAY BUILDING

Report Date	23.12.2016
Report Number	2016-HALGGYO-29
Appraisal Date	19.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Real estate registered with "Masonry Apartment Building" property in Ankara Province, Çankaya District, 1064 land 14 parcels (51 independent sections)
Appraisal Value	(Excluding VAT) TL 17,013,475

ANKARA BAŞKENT BUILDING

Report Date	16.12.2016
Report Number	2016-HALKGYO-30
Appraisal Date	12.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Immovable property registered as "11-storey Reinforced Concrete Hotel, Office and Workplace and Rivers" located in Ankara Province, Çankaya District, 1046 parcels 27
Appraisal Value	(Excluding VAT) TL 11,854,750



İZMİR KONAK BUILDING 1

Report Date	14.12.2016
Report Number	2016-HALKGYO-33
Appraisal Date	09.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Registered in İzmir Province, Konak District, Akdeniz Quarter, 77 sections, 971 island 17 parcels, "Five Shops and Two Fonts Including Bank Building"
Appraisal Value	(Excluding VAT) TL 25,130,000





İZMİR KONAK BUILDING 2

Report Date	12.12.2016
Report Number	2016-HALKGYO-37
Appraisal Date	08.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	The immovable properties 1-3,5-15-16 BB in the parcel number 15, İzmir İli, Konak District, Akdeniz Mahallesi, 77 section, 2802 island
Appraisal Value	(Excluding VAT) TL 14,842,000



BURSA BUILDING

Report Date	16,12,2016
Report Number	2016-HALKGYO-34
Appraisal Date	12.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	"7-Storey Reinforced Concrete Bank Building" which is registered on Bursa province, Osmangazi District, Kayihan Quarter, H22D07A3B sheet, 4306 island 1 parcel.
Appraisal Value	(Excluding VAT) TL 13,200,000

KOCAELI BUILDING

Report Date	14.12.2016
Report Number	2016-HALKGYO-35
Appraisal Date	09.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Kocaeli province, Izmit District, 870 island 48 parcels "Ferroconcrete Bank Service Building"
Appraisal Value	(Excluding VAT) TL 11,862,000



SAKARYA ADAPAZARI BUILDING

Report Date	16.12.2016
Report Number	2016-HALKGYO-36
Appraisal Date	12.12.2016
Date Of The Base Contract	04.11.2016
Short Description Of The Property	Sakarya Province, Adapazari District, 1 and 3 independent departments (bb) located in the main land with the property "Land" qualified on the parcel of 130 houses and 167, and 23 bb offices
Appraisal Value	(Excluding VAT) TL 10,875,000







Annex 2: 2016 Year Corporate Governance 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- Investor Relations Unit

Since the date of 22.02.2013 28% of its shares have started to be traded in Stock Exchange Istanbul, Halk GYO has continued to operate in accordance with the principles laid down in the Corporate Governance Principles published by the CMB.

The Company has investor relations and strategic planning activities, which operate under the Deputy General Manager of Asset Management and Financial Reporting, in order to ensure the regular and effective management of shareholder rights, the use of shareholder rights, He established the Investor Relations Department within the Department of Advertising & Public

Relations Group, Department Manager, Investor Relations, Strategic Planning and Advertising & Public Relations Group Head Uğur Güney. At the same time, Uğur Güney, a member of the Corporate Governance Committee, has licenses as stipulated by CMB legislation.

The contact information of the persons employed in the Investor Relations Department affiliated to the related Group Presidency is as follows.

Name-Surname	Duty	Telephone	E-mail	License Information
Uğur GÜNEY	Group President	0216 600 1025	ugur.guney@halkgyo.com.tr	Advanced / Corporate Governance Rating / Real Estate Valuation / Credit Rating Licenses
Serpil YÖRÜK	Director	0216 600 1033	serpil.yoruk@halkgyo.com.tr	Advanced / Corporate Governance Rating / Real Estate Valuation / Derivative Instruments Licenses
M. Erhan ÇELEBİ	Assistant Specialist	0216 600 1006	mustafaerhan.celebi@halkgyo.com.tr	Advanced / Corporate Governance Rating Licenses
E. Melis BULAK	Assistant Specialist	0216 600 1015	eylulmelis.bulak@halkgyo.com.tr	Advanced License

The Investor Relations Department is mainly responsible for;

- Ensuring that the records of shareholders are kept healthy, secure and up-to-date
- Responding to the written information requests of the shareholders regarding the company, except for information that is not disclosed to the public and confidential and / or trade secret.
- Ensuring that the General Assembly meeting is held in accordance with the applicable legislation, the Articles of Association and other in-house regulations, preparing documents for the benefit of shareholders, keeping the record of voting results and sending the reports related to the results to relevant shareholders.
- Supervision and monitoring of all aspects of public lighting including legislation and the company's information policy
- Contributing to the positive evaluation of the Company by organizing meetings with domestic and foreign investors and analysts.
- Monitoring developments related to the GYO sector and competitor company performances, informing senior management.

• The sector, which is at the beginning of the daily press, follows news, economic developments, news about competing companies and Halk GYO.

• Participate in domestic and overseas promotion organizations (roadshow)

it conducts studies on topics to fulfill their missions.

The Investor Relations which actively worked on the communication between the shareholders and the Company participated in the meetings of the Corporate Governance Committee throughout the year and gave information to the Committee on the unit activities, important developments that took place during the period, and legislative changes concerning investor relations activities. Has also been active in the process of improving corporate governance practices.

During the reporting period, over 100 inquiries were received from investors through individual and institutional investors via telephone and e - mail, and 16 investor meetings were held at the Company 's head office and at domestic and international organizations with domestic and foreign institutional investment companies or brokerage house analysts.

3- Use of Shareholders' Right to Information

Halk GYO Disclosure Policy is based on transparency and fairness and our Company treats every shareholder equally in all of the public disclosure activities.

Information demands of the shareholder, unless they are disclosed, are evaluated in accordance with such policy and principles.

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

During the period, comprehensive information requests and queries received from investors have been responded pursuant to primal legislation and the Company's Disclosure Policy, as well as all other considerations relating to public disclosure.

Necessary records related to written and oral information requests and the responses regularly kept by the Investor Relations. Not only the information requests made to the Company, but also the prepared reports about the Company are regularly followed up.

The Company website is actively used to facilitate public disclosure and usage of shareholder rights, Quarterly investor presentations in Turkish and English, as well as the financial statements, along with material event disclosures made through the Public Disclosure Platform (PDP) are published on the Company website in both Turkish and English, Moreover,

the sections of the Company's website which are subject to updates, particularly the information with a potential impact on the usage of shareholder rights, are regularly updated. By this way, accurate and updated information is made available especially to investors and analysts in addition to various individuals or institutions that require information about the Company and its activities.

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

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

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

4- General Assembly Meetings

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

The Annual General Assembly of Shareholders for 2015 made on 6 April 2016 in the Company centre with 79.51% attendance, of which 79.51% were acting as proxies and 0.00002% 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 2015 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 2015 Annual Report was made available 21 days before the meeting date at the Company's headquarters, on address of www.kap.gov.tr and on the Company website for investor review.

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

Prior to the meeting, in accordance with Corporate Governance Principles, shareholders were informed about the number of total votes that may be cast at the General Assembly, the privileges they have, and the voting procedure.

At each stage of the meeting, shareholders are allowed to raise questions and make suggestions. All questions are answered and all proposals are taken into consideration as well. The questions and proposals by attended shareholders were added in meeting minutes. Furthermore, all oral and written queries from the shareholders about the Company during the period were answered prior to and after the General Assembly of Shareholders within the scope of the Company Disclosure Policy.

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

In accordance with the provisions of Article 37-1 of the GYO Communiqué, it has been agreed that the Board of Directors' duty changes, capital increase and cash dividend distribution amounts and dates are included in the same meeting, where the resolution regarding the leasing procedure of the Şekerpınar Project Block A below the Appraisal Value was given.

The General Assembly did not meet extraordinarily during the term.

5- Voting Rights and Minority Rights

Of total of 790,000,000 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, 12,780,684,388 shares constitute A group shares and 777,219,355,612 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 dominant shareholder of the Company votes at the General Shareholders' Meeting. Minority shares are not represented in the Company management. There is no provision in the Articles of Association for the granting of minority rights to shareholders who have less than one in twenty of the capital. However, attention is given to the use of minority rights under TCC and CMB regulations.

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, 2015. 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.

At the Ordinary General Shareholders' Meeting held during the period of 2015, the amount of 5,423,900 TL, which corresponds to 9.98% of the distributable period profit of the year 2015, was paid in cash by 47,000,000 TL in the form of a bonus share and the capital increase process started on 25.05.2016.

7- Transfer of Shares

The Articles of Association do not contain any provisions restricting the transfer of shares.

PART II-PUBLIC DISCLOSURE AND TRANSPARENCY

8- Company 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.

The Company has determined the Information Policy to be valid from 2010 and has informed its shareholders at the 2010 General Assembly Meeting.

The revised policy under the “Communiqué on Disclosure of Special Events to the Public” published by the Capital Markets Board has been submitted to the shareholders’ information

and approval at the Ordinary General Assembly Meeting of the year 2013. The approved policy has been announced to the public and is included in the company’s annual report. In the “Corporate Governance” section under the heading “Investor Relations” in the internet site, it can be reached from “Corporate Policy” section.

The Board of Directors is responsible for monitoring, monitoring and improving the Disclosure Policy. Investor Relations is obliged to observe and follow the Information Policy.

2016 targets were mentioned in the annual report of the year 2015 and the explanations related to the targets in the end of 2016 were shared with the public under the same heading.

9- Company Web Site and 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.

Our Annual Reports are announced to the public at the end of the Board approval process, It will be published on our internet site and will be sent to the partners upon request.

PART III-STAKEHOLDERS

11- Informing the Stakeholders

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.

During the reporting period, our Company provided 4 Annual Reports, 8 press bulletins and 92 material disclosures to inform stakeholders.

12- Beneficiaries’ Involvement in the Management

The rights of the shareholders to join management are provided as per the applicable laws, legislations and the Articles of Association. 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.

All the rights of each of the employees are legally protected under the Labor Code and the Code of Ethics, and all grounds are established for them to work in a safe and healthy environment.

There are no complaints from employees regarding discrimination during the period.

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

- **To fulfill the activities that the Company will carry out in order to realize its aims with the ideal number of personnel.**
- **To perform the selection and assignment of personnel in accordance with the competence of the job.**
- **To provide the environment and conditions in which all staff skills, professional development and skills can be used, developed.**
- **Providing adequate fees and other additional facilities suitable for the market and the conditions of the day.**
- **To give importance to the personnel of the personnel, to respect the protection of the material and moral rights.**
- **To have a company that embraces the corporate culture and corporate values and is in compliance with Ethical Principles.**
- **Depending on the principles of efficiency and profitability of the staff, ensure that they work within the cost consciousness**

14- Ethical Principles and Social Responsibility

The Ethical Principles, which were created in 2010 and passed the approval of the Board of Directors, were published in the company website and announced to the public. In 2016, our Company has adopted the Code of Ethics of its main partner, Türkiye Halk Bankası A.Ş. and published it under the heading "Ethics Principles" in the Corporate section of the Company website, "Ethical Principles"; Detailed conflicts of interest, conflicts of interest, information flow regulatory rules, relationships with customers and human resources, and Halk GYO A.Ş. regulations that require employees to abide by their duties when they fulfill their duties. These principles are to prevent any conflict or conflict of interest between the intended employees, shareholders, customers and the institution. These contradictory attitudes and behaviors are assessed in accordance with the Discipline Directive and

must be based on common sense and goodwill rules that are expected from employees and not covered by these rules.

Our company carries out its relations with all stakeholders in relation to ethical rules.

There are no lawsuits filed against the Company due to damages incurred in the period.

Our company's vision is to maximize their investments, as well as to provide external benefits in the area of modern urbanism.

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 in the Company's Articles of Association. The Company is managed by the Board of Directors and is represented outside. Board of Directors; Performs its duties assigned to it by the General Assembly in accordance with the Turkish Commercial Code, the Capital Markets Law and other relevant legislation. All members of the Board of Directors have the minimum qualifications required in the election of the members of the Board of Directors included in the CMB Corporate Governance Principles. The Board of

Directors consists of a total of 6 non-executive members, 2 of which are independent. In 2016, there was no situation that lifted the independence of the Independent Board Members. While there are no female members in our Board of Directors, there is no policy in the Board of Directors that determines the target rate and time, not less than twenty percent of the female member rate, However. There are no regulations that prevent our partners from being able to elect a female member of the Board of Directors.

Name-Surname	Title	Profession	The Duties of the Partnership in the Last 5 Years	Duties Outside the Partnership in the Context of the Current Situation	Share of Capital in the Partnership (%)	Represented Share Group	Mission Selection Date	Situation
R. Süleyman ÖZDİL	Chairman Of The Board	Banker	--	Türkiye Halk Bankası A.Ş. Chairman Of The Board	--	--	April 2016	Non-executive Member / Not an Independent Member
Yüksel GÖRGEÇ	Vice Chairman	Banker	Board Member	--	--	--	April 2016	Independent Member
Yunus KARAN	Board Member	Banker	Independent Board Member	Türkiye Halk Bankası A.Ş. Independent Board Member	--	--	April 2016	Non-executive Member / Not an Independent Member
Osman BEKTAŞ	Board Member	Banker	--	Türkiye Halk Bankası A.Ş. Chairman & Türk P&I Sigorta Board Member	--	--	April 2016	Non-executive Member / Not an Independent Member
Hilali YILDIRIM	Board Member	Banker	--	Türkiye Halk Bankası A.Ş. General Manager Consultant Head Of Departments / Halk Bank Ad Skopje Board Member / Halk Yatırım Menkul Değerler A.Ş. Board Member	--	--	April 2016	Non-executive Member / Not an Independent Member
Yahya BAYRAKTAR	Board Member	Banker	Board Member	Türkiye Halk Bankası A.Ş. Board Member	--	--	April 2016	Independent Member
SENIOR MANAGEMENT								
Dr. Fezullah YETGİN	General Manager	Financier	--	--	--	--	July 2016	

During the period of the Ordinary General Assembly of the year 2015 held on April 6, 2016, the term of office of our company was expired. Mr. Ahmet YARIZ was nominated as Mr. Hilali YILDIRIM and he was appointed as a member of the Board of Directors as of the date of 06.04.2016.

Mr. Fezullah YETGİN was appointed General Manager on 18 July 2016, Şeref AKGÜL, the Vice General Manager of our Company, resigned from his post on 31 July 2016.

Declarations of independence of independent members were included in the ANNUAL REPORT of the end of 2016.

The members of the Board of Directors are not restricted to take other duties or duties outside the company and the provisions of the Turkish Commercial Code regarding the competition law are complied with. In 2016, there has been no violation of the Company's transactions and competition laws regarding the members of the Board of Directors.

The resume information of the members of the Company's Board of Directors is included in the annual report and on the Company's corporate website.

16- Operating Principles of the Board of Directors

The Board of Directors convenes at times deemed necessary for the Company's business, upon the invitation of the Chairman or the Chairman. Each member of the Board of Directors may apply in writing to the Chairman or the Chairman of the Board and request that the board be called to the meeting. If the President or the Vice Chairman does not call for a meeting, the members shall also have the authority to call the chairman.

If none of the members wishes to hold a meeting, the decisions of the board of directors may also be made by the written approval of the majority of the total number of members, in the form of a decision made by a member of the board in a particular matter. The same recommendation has been made to all members of the board of directors, so the decision to be taken in this way is a condition of validity. It is not necessary that the approvals are on the same paper; But it is necessary for the validity of the decision to affix all of the papers on which the approval signatures are located to the decision book of the board of directors or to convert them into a decision containing the signatures of the acceptors.

At the meetings each member has one vote. Voting rights are used personally. Unless a member requests a meeting, a proposal made by a member can be decided by written notification of the approval of the other members.

The meeting agenda of the Board of Directors is determined by the Chairman of the Board of Directors. Changes may be made on the agenda with the decision of the Board of Directors. The meeting place is the company headquarters. However, the Board of Directors can also convene elsewhere, subject to a decision.

The board of directors convenes with absolute majority and takes decisions with the absolute majority of the attendees. In the board of directors votes are used as acceptance or rejection. The voter who gives the rejection signs it by writing the reason for rejection under the decision. Decisions of the Board of Directors about the matters entered in the relevant communiqués and legislation are shared with the public and published on the company website.

Members who do not attend the meeting may not vote in writing or in any other way unless they are based on a legitimate excuse. Members of the Board of Directors who have not participated in three consecutive meetings without authorization from the Board of Directors, regardless of the reason or necessity, or who have not participated in an intermittent or half of the meetings held during an accounting period, shall be deemed to have resigned.

Meetings of the Board of Directors can be realized in physical and / or electronic environment.

Those who have the right to participate in the board meeting of the Company may participate in this meeting in electronic environment in accordance with article 1527 of the Turkish Commercial Code. In accordance with the provisions of the "Communiqués Regarding Committees to be Made in Electronic Media Other than the Joint Stock Company General Assemblies in Trade Companies", the Company may purchase the Electronic Meeting System which enables the beneficiaries to participate and vote in these electronic meetings and may also purchase services from the systems established for this purpose. At the meetings to be held, it is ensured that the rights of the rights holders specified in the related legislation can be used within the framework specified in the Communiqués, either through the system established under this provision of the Main Contractor or through the system to receive support services.

The Investor Relations Department is actively involved in organizing board meetings, preparing the necessary reports and documentation, and preparing and registering board decisions, ensuring information flow and coordination among members, and similar issues.

The Company's Board of Directors met 32 times during the period and 58 decisions were taken at these meetings. Care has been taken to ensure that the meeting date is determined to ensure the participation of all members. All of the meetings held throughout the year were held with the participation of all members of the Board of Directors. All decisions of the Board of Directors are taken unanimously. None of the decisions taken at the meetings were put in opposition. In addition, there is no point in the decision record because there are no opposing votes used in the decisions taken.

Members of the Board of Directors have not been given the right to vote heavily and / or to veto negatively.

Decisions of the board of directors regarding the related party transactions of significant quality presented to the approval of the independent board members during the year were taken by a vote of the independent board members in a positive vote.

During the period, the insurance required to compensate the losses caused by the members of the Board of Directors and their duties due to the duties of the Company will be covered by Türkiye Halk Bankası A.Ş. In order to cover the Bank and its subsidiaries.

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	President	Independence Status	Member	Independence Status
The Audit Committee	Yüksel GÖRGEÇ	Independent	Yahya BAYRAKTAR	Independent
Corporate Governance Committee	Yahya BAYRAKTAR	Independent	Yunus KARAN - Uğur GÜNEY	Not Independent Not Independent-Performer
Remuneration Committee	Yüksel GÖRGEÇ	Independent	Yunus KARAN	Not Independent
Members of Committee for Early Detection of Risk	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.

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

Corresponding its incumbent duties incumbent as indicated in its operating principles and pursuant to the principles of

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

The Committee's Assessment Report on the work of the committees within the period was included under heading 1 of the 2016 annual ANNUAL REPORT.

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.

Internal reports are also provided in the ANNUAL REPORT on the existence, functioning and effectiveness of internal controls and internal audit. The Risk Assessment and Management Department prepares the periodic evaluation report, compliance with portfolio limitations and follow-up chart, the monthly liquidity ratio notification schedule, and the Audit Committee is presented simultaneously to the Corporate Governance Committee, the Risk Early Determination Committee, the Company’s top management and the Board of Directors.

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- Strategic Goals of the Company

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 accordance with Article 4,6,6 of the Corporate Governance Principles, the fees paid to the members of the Board of Directors and senior managers and all other benefits provided are announced to the public through the Annual Report. However, the explanation made is not person-based, Total financial rights provided by the Company to the board of directors and senior executives are 936,620,-TL



Karaköy Binası



Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

*Financial Statements
As at and For Year Ended
31 December 2016 with Independent Auditors'
Report Thereon*

*“Convenience Translation to English of
Financial Statements
and Notes To The Financial Statements
Originally Issued In Turkish”*

13 February 2017

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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 2016, 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 2016, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards.

Emphasis of matter

As explained in Note 4 to the financial statements, the Company generates 54% portion of its revenue from its related parties.

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 13 February 2017.

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 2016, 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
13 February 2017 İstanbul, Türkiye

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2016

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

Assets	Notes	Audited	Audited	Audited
		31 December 2016	31 December 2015	31 December 2014
Current Assets		233,670,563	144,495,869	183,420,241
Cash and cash equivalents	5	5,301,426	16,436,458	8,658,261
Financial investments		--	--	37,928,769
Trade receivables	7	16,867,810	10,076,498	11,984,216
- Due from related parties	4	--	4,649,752	--
- Other		16,867,810	5,426,746	11,984,216
Inventories	8	152,820,902	97,964,900	103,090,737
Prepaid expenses	16	386,883	146,252	244,912
- Related parties	4	220,227	52,219	192,728
- Other		166,656	94,033	52,184
Current tax assets		919,613	79,076	1,094,638
Other current assets	16	11,373,929	19,792,685	20,418,708
- Related parties	4	416	214,083	--
- Other		11,373,513	19,578,602	20,418,708
Non-Current Assets		1,621,169,412	1,478,573,514	1,247,843,534
Trade receivables	7	35,274,459	19,033,739	317,535
- Other		35,274,459	19,033,739	317,535
Investment property	10	1,505,807,691	1,437,454,787	1,216,388,470
Prepaid expenses	16	56,127,988	7,547,569	19,616,841
- Related parties	4	--	--	--
- Other		56,127,988	7,547,569	19,616,841
Tangible assets	11	421,443	587,723	915,395
- Furniture and fixtures		421,443	587,723	915,395
Intangible assets	12	316,274	530,242	703,933
- Computer software		316,274	530,242	703,933
Other non-current assets	16	23,221,557	13,419,454	9,901,360
- Other		23,221,557	13,419,454	9,901,360
Total Assets		1,854,839,975	1,623,069,383	1,431,263,775

Liabilities	Notes	31 December 2016	31 December 2015	31 December 2014
Short-Term Liabilities		31,496,435	52,951,759	87,142,074
Current portion of long term borrowings	13	3,397,355	3,396,983	3,397,361
- Borrowings from related parties	4	3,397,355	3,396,983	3,397,361
- Bank loans		3,397,355	3,396,983	3,397,361
Trade payables	7	534,202	1,841,360	606,561
- Due to related parties	4	63,264	51,172	126,242
- Other	7	470,938	1,790,188	480,319
Short term portions of employee benefits	15	801,155	719,224	676,601
Deferred income	9	21,520,181	44,070,843	76,802,390
- Other		21,520,181	44,070,843	76,802,390
Other short-term liabilities		5,243,542	2,923,349	5,659,161
- Other		5,243,542	2,923,349	5,659,161
Long-Term Liabilities		193,147,796	42,315,152	13,470,697
Long term borrowings	13	9,152,608	11,349,972	13,340,555
- Borrowings from related parties	4	9,152,608	11,349,972	13,340,555
- Bank loans		9,152,608	11,349,972	13,340,555
Long term portions of employee benefits	15	202,050	151,665	130,142
Deferred income	9	183,793,138	30,813,515	--
- Other		183,793,138	30,813,515	--
Equity	17	1,630,195,744	1,527,802,472	1,330,651,004
Share capital		790,000,000	743,000,000	697,900,000
Own shares acquired		(22,271,814)	(20,946,784)	(19,675,318)
Share premium		49,945,096	49,945,096	49,945,096
Other comprehensive income that will never be reclassified to profit or loss		649	3,446	(19,660)
- Defined benefit plan actuarial gains / (losses)		649	3,446	(19,660)
Restricted reserves		37,486,655	32,833,600	28,363,063
Retained earnings		667,368,102	520,046,712	424,953,925
Net profit for the period		107,667,056	202,920,402	149,183,898
Total Liabilities And Equity		1,854,839,975	1,623,069,383	1,431,263,775

(*) See note 2.1.4

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated)

	Notes	Audited 01 January – 31 December 2016	Audited (Restated)(*) 01 January – 31 December 2015
Revenue	18	79,567,962	99,656,111
Cost of sales	18	(14,222,613)	(28,815,988)
Gross profit		65,345,349	70,840,123
Administrative expenses	19	(13,029,882)	(8,879,352)
Marketing, selling and distribution expenses	20	(5,098,168)	--
Other operating income	21	69,866,427	147,315,393
Other operating expenses	21	(7,976,173)	(4,732,635)
Operating profit		109,107,553	204,543,529
Financial expenses	22	(1,440,497)	(1,623,127)
Profit before tax		107,667,056	202,920,402
Tax income / (expense)	23	--	--
Net Profit For The Period		107,667,056	202,920,402
Earnings per share	24	0.13629	0.25686
Net Profit For The Period		107,667,056	202,920,402
Other Comprehensive Income			
Other comprehensive income non- reclassified to profit or loss		(2,797)	23,106
- Defined benefit plan actuarial gains (losses)		(2,797)	23,106
Other comprehensive income reclassified to profit or loss		--	--
- Net change in fair value of available-for-sale financial assets		--	--
Other comprehensive income		(2,797)	23,106
Total Comprehensive Income		107,664,259	202,943,508

(*) See note 2.1.4

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



HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	Share capital	Own shares acquired	Share premiums	Other comprehensive income that are or may be reclassified to profit or loss	Other comprehensive income that will never be reclassified to profit or loss	Restricted reserves	Retained earnings	Net profit for the period	Total
Balance at 1 January 2015	17	697,900,000	(19,675,318)	49,945,096	--	(19,660)	28,363,063	9,933,568	61,347,146	827,793,895
Effects of changes in accounting policy	2.1.4	--	--	--	--	--	--	415,020,357	87,836,752	502,857,109
Balances at 1 January 2015 (Restated)		697,900,000	(19,675,318)	49,945,096	--	(19,660)	28,363,063	424,953,925	149,183,898	1,330,651,004
Transfer to reserves		--	--	--	--	--	4,470,537	144,713,361	(149,183,898)	--
Total comprehensive income		--	--	--	--	23,106	--	--	202,920,402	202,943,508
Capital increase		45,100,000	(1,271,466)	--	--	--	--	(43,828,534)	--	--
Dividend payment	17	--	--	--	--	--	--	(5,792,040)	--	(5,792,040)
Balance at 31 December 2015	17	743,000,000	(20,946,784)	49,945,096	--	3,446	32,833,600	520,046,712	202,920,402	1,527,802,472
Balance at 1 January 2016	17	743,000,000	(20,946,784)	49,945,096	--	3,446	32,833,600	520,046,712	202,920,402	1,527,802,472
Transfer to reserves		--	--	--	--	--	4,653,055	198,267,347	(202,920,402)	--
Total comprehensive income		--	--	--	--	(2,797)	--	--	107,667,056	107,664,259
Capital increase		47,000,000	(1,325,030)	--	--	--	--	(45,674,970)	--	--
Dividend payment	17	--	--	--	--	--	--	(5,270,987)	--	(5,270,987)
Balance as at 31 December 2016	17	790,000,000	(22,271,814)	49,945,096	--	649	37,486,655	667,368,102	107,667,056	1,630,195,744

The accompanying notes are an integral part of these financial statements

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated)

	Notes	Audited	Audited (Restated)(*)
		1 January – 31 December 2016	1 January – 31 December 2015
Cash flows from operating activities		49,936,222	95,476,764
Net profit for the period		107,667,056	202,920,402
Adjustments related with net profit reconciliation:			
Adjustments to depreciation and amortization	11,12	417,805	557,026
Adjustments to the provisions		182,222	89,867
- Adjustments to provision for employee severance indemnity		182,222	89,867
Change in fair value of investment properties	10	(61,699,278)	(142,786,751)
Adjustments to the interest income and interest expense		(5,617,645)	1,052,783
- Adjustments to the interest income		(7,000,695)	(570,344)
- Adjustments to the interest expense	22	1,383,050	1,623,127
Adjustments to the unrealized foreign currency conversion		--	203,993
Adjustments to the fair value loss / profit		-	(998,008)
- Adjustments to the financial assets at fair value through profit or loss		--	(998,008)
Changes in working capital			
Adjustments to the increase/decrease in inventory		(54,856,002)	5,125,837
Adjustments to the increase/decrease in trade receivables		(23,032,032)	(17,012,479)
-The increase/decrease in due from related parties		4,649,752	4,649,752
-The increase/decrease in trade receivables		(27,681,784)	(21,662,231)
Adjustments to the increase/decrease in prepaid expenses		(48,821,050)	12,167,932
Adjustments to the increase/decrease in other current assets		(2,223,884)	(1,876,509)
Adjustments to the increase/decrease in trade payables		(1,307,158)	1,234,799
-The increase/decrease in due to related parties		12,092	(75,070)
-The increase/decrease in trade payables from other parties		(1,319,250)	1,309,869
Adjustments to the increase/decrease in deferred income		130,428,961	(1,918,032)
Adjustments to the increase/decrease in other liabilities		2,317,396	(2,712,705)
Cash flows related to the operating activities			
Proceeds from sale of shares or debt instruments of a business organization or funds		-	38,979,163
Interest received		6,529,737	527,553
Dividend received		--	--
Other cash outflows		(49,906)	(78,107)
Cash flows used in investing activities			
Proceed from sale of tangible assets	11	4,140	6,162
Cash payments for acquisition of tangible assets	11	(41,697)	(23,107)
Cash payments for acquisition of intangible assets	12	--	(38,718)
Cash payments for acquisition of investment property	10	(6,653,626)	(78,279,566)
Net cash used in investment activities		(6,691,183)	(78,335,229)

(*) See note 2.1.4

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

	Notes	Audited	Audited (Restated)(*)
		1 January – 31 December 2016	1 January – 31 December 2015
Cash flows from financing activities			
Interest paid		(1,318,540)	(1,518,244)
Repayment of borrowings		(2,261,502)	(2,095,845)
-Bank borrowings paid		(2,261,502)	(2,095,845)
Dividend paid	17	(5,270,987)	(5,792,040)
Net cash used in financing activities		(8,851,029)	(9,406,129)
Net increase / (decrease) in cash and cash equivalents before the effect of foreign currency conversion adjustments		34,394,010	7,735,406
The effect of foreign currency conversion adjustments in cash and cash equivalents		--	--
Net increase / (decrease) in cash and cash equivalents		34,394,010	7,735,406
Cash and cash equivalents at the beginning		16,393,667	8,658,261
Cash and cash equivalents at the period end	5	50,787,677	16,393,667

(*) See note 2.1.4

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated)

1. REPORTING ENTITY

Halk Gayrimenkul Yatırım Ortaklığı A.Ş.’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 790,000,000, 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 127,500,000 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 2016, the number of personnel employed in the Company is 40 (31 December 2015: 39).

The Company is a subsidiary of Türkiye Halk Bankası A.Ş. (“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 İstanbul 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 25 May 2016, the Company increased its share capital to TL 790,000,000 by transferring TL 47,000,000 from retained earnings to share capital.

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

As at 14 April 2016, the Company has signed Joint Operation Agreement with Er Konut İnş. Taah. İnş. Malz. Nak. ve Mad. Tic. ve San. A.Ş. for developing 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 2016, the financial statements of the Company have been approved by the Board of Directors of the Company on 13 February 2017.

Additional paragraph for convenience translation into 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

Except for the change in accounting policies below, the accounting policies applied for the year ended 31 December 2016 have been applied consistently for the year ended 31 December 2015 in preparing these financial statements. Changes in accounting policies are applied retrospectively and restating the prior year financial statements.

Changes In Investment Property Accounting Policy

As of 31 December 2016, beginning from the fourth quarter of the current year, accounting policy has changed to fair value method in accordance with “TAS 40 Investment Property” for an appropriate presentation of the Company’s financial performance, Accounting policy is applied retrospectively due to the changes in measurement of investment properties and the financial statements of prior period are restated in accordance with the Turkish Accounting Standard (TAS) – 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. The effects of aforementioned adjustments on financial statements dated 31 December 2015 and 31 December 2014 are summarized below.

31 December 2015	Reported	Accounting policy change effects	Restated
Statement of financial position			
Investment property	789,101,181	648,353,606	1,437,454,787
Non-current assets	830,219,908	648,353,606	1,478,573,514
Total assets	974,715,777	648,353,606	1,623,069,383
Previous year's profit	17,189,603	502,857,109	520,046,712
Net profit for the period	57,423,905	145,496,497	202,920,402
Equity	879,448,866	648,353,606	1,527,802,472
Total liabilities	974,715,777	648,353,606	1,623,069,383
31 December 2014	Reported	Accounting policy change effects	Restated
Investment property	713,531,361	502,857,109	1,216,388,470
Non-current assets	744,986,425	502,857,109	1,247,843,534
Total assets	928,406,666	502,857,109	1,431,263,775
Previous year's profit	9,933,568	415,020,357	424,953,925
Net profit for the period	61,347,146	87,836,752	149,183,898
Equity	827,793,895	502,857,109	1,330,651,004
Total liabilities	928,406,666	502,857,109	1,431,263,775
31 December 2015	Reported	Accounting policy change effects	Restated
Statement of profit or loss			
Cost of sales	(31,525,734)	2,709,746	(28,815,988)
Gross profit	68,130,377	2,709,746	70,840,123
General administrative and marketing and distribution expenses	(8,879,352)	--	(8,879,352)
Other operating income	667,142	146,648,251	147,315,393
Operating profit	59,047,032	145,496,497	204,543,529
Operating profit before tax	57,423,905	145,496,497	202,920,402
Net profit for the period	57,423,905	145,496,497	202,920,402
31 December 2015	Reported	Accounting policy change effects	Restated
Other comprehensive income			
Net profit for the year	57,423,905	145,496,497	202,920,402
Total comprehensive income	57,447,011	145,496,497	202,943,508
1 January 2015	Reported	Accounting policy change effects	Restated
Statement of changes in equity			
Previous year's profit	9,933,568	415,020,357	424,953,925
Net profit for the period	61,347,146	87,836,752	149,183,898
31 December 2015	Reported	Accounting policy change effects	Restated
Statement of cash flow			
Net profit for the period	57,423,905	145,496,497	202,920,402
Adjustments to depreciation and amortization	3,266,772	(2,709,746)	557,026
Change in fair value of investment properties	--	142,786,751	142,786,751
Operating profit from before the changes in working capital	61,039,312	--	61,039,312
Net cash provided by operating activities	95,476,764	--	95,476,764
31 December 2015	Accounting policy change effects		
Earnings per share	0.18417		

2.1.5 Control Of Compliance With Restrictions On The Investment Portfolio

As at 31 December 2016, 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 2016

2.3.1 The Standards And Interpretations Adopted In 2016

The Company has applied all the standards and interpretations issued by the POA which are effective as at 31 December 2016.

2.3.2 Standards Issued But Not Yet Effective And Not Early Adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

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 financial position or performance of the Company.

TFRS 15 Revenue From Contracts With Customers

As issued in September 2016, the new standard replaces existing TFRS 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 TFRS. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

The New Standards, Amendments And Interpretations That Are Issued By The International Accounting Standards Board (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 Company 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 -IFRS 9 (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. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, 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 TAS 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.

IFRIC 22 – Foreign Currency Transactions And Advance Consideration

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments to IAS 12 Income Taxes– Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments To IFRS 2 – Classification And Measurement Of Share-Based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share- based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity- settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted, The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle, The amendments are effective as of 1 January 2018. 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 IFRSs 2014-2016 Cycle

IFRS 1 “First Time Adoption of International Financial Reporting Standards”

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

IFRS 12 “Disclosure of Interests in Other Entities”

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

IAS 28 “Investments in Associates and Joint Ventures”

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.





2.4. Summary of significant accounting policies

2.4.1 Accounting For Joint Operations

The Company has signed a joint operation agreements with Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. and Er Konut İnş. Taah. İnş. Malz. Nak. ve Mad. Tic. ve San. A.Ş. 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.

Revenue

Revenue consists 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

The investment properties that the Company owns are measured by fair value in accordance with TMS 40 “Investment Property”, Investment properties are kind of properties held by the Company to earn rent or benefit from valuation increases. A gain or loss arising from a change in fair value of investment property is recognized in profit or loss for the related period which it rises (Note 10).

Investment properties are recognized as asset if and only the economic benefits in the future are likely to enter the firm and the cost of investment properties are dependably measurable.

Management considers level of completion of construction, comparability of constructional project in Market, identifiability of cash flows credibly which are following completion of construction, risks of real estate property, backgrounds and reconstruction permits of other construction which has same qualifications for faithfully evaluation of fair value of real estate properties which are under construction.

2.4.4 Inventories

Inventories are measured at the lower of cost and net realizable value. As at 31 December 2016, 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 are 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.

j) Non-derivative financial assets

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

Cash and cash equivalents

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Held for trading financial assets recognized initially on the trade date by their carrying amount and adjusted to their fair value after initial recognition. Gain and losses of held for trading financial assets are recognized through profit or loss.

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 post-balance 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. JOINT OPERATIONS

As at 31 December 2016 and 31 December 2015, voting right of the Company in the joint operation is as follows:

Voting right in the joint operation	31 December 2016	31 December 2015
Halk GYO-Vakıf GYO Adi Ortaklığı	50.0%	50.0%
Voting right in the joint operation	31 December 2016	31 December 2015
Halk GYO- Erkonut Adi Ortaklığı	50.0%	--

Halk GYO-Vakıf GYO Adi Ortaklığı

Halk GYO-Vakıf GYO Adi Ortaklığı has founded in Turkey for operating as a joint operation with 50% shares and 50% voting right. The Company has signed a joint operation agreement with Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. for developing real estate projects. As at 31 December 2016 and 31 December 2015, the Company's share in financial statements of the Halk GYO-Vakıf GYO Adi Ortaklığı is as follows:

	31 December 2016	31 December 2015
Non-current assets	56,212,076	20,707,816
Current assets	113,175,403	72,250,814
Short-term liabilities	(2,745,975)	(630,357)
Long-term liabilities	(171,312,519)	(92,348,198)
Equity	19,925	19,925
Net assets	(4,651,090)	--

	01 January 2016 - 31 December 2016	01 January 2015 - 31 December 2015
Income	--	--
Expenses	(4,651,090)	--
Net loss	(4,651,090)	--

Halk GYO - Erkonut Adi Ortaklığı

Halk GYO-Erkonut Adi Ortaklığı has founded in Turkey for operating as a joint operation with 50% shares and 50% voting right. The Company has signed a joint operation agreement with Er Konut İnş. Taah. İnş. Malz. Nak. ve Mad. Tic. ve San. A.Ş. for developing real estate projects.

As at 31 December 2016 and 31 December 2015, the Company's share in financial statements of the Halk GYO-Erkonut Adi Ortaklığı is as follows:

	31 December 2016	31 December 2015
Non-current assets	13,626,495	--
Current assets	46,046,528	--
Short-term liabilities	(871,588)	--
Long-term liabilities	(58,902,340)	--
Equity	(50,000)	--
Net assets	(150,905)	--

	01 January - 31 December 2016	01 January - 31 December 2015
Income	--	--
Expenses	(150,905)	--
Net loss	(150,905)	--

4. RELATED PARTY DISCLOSURES

4.1 Due From / To Related Parties

	31 December 2016	31 December 2015	31 December 2014
Banks-Demand deposits			
Halkbank	812,955	391,196	424,071
Banks-Time deposits			
Halkbank	49,757,297	15,243,274	7,902,288
Banks -Other liquid assets			
Halkbank	154,128	650,330	331,560
Bank Bonds-Financial investments			
Halkbank	--	--	34,841,163
Total	50,724,380	16,284,800	43,499,300
Due from related parties			
Halkbank	--	4,649,752	--
Halkbank	--	4,649,752	--
Prepaid expenses			
Halk Sigorta A.Ş.	216,938	46,875	188,977
Halk Hayat ve Emeklilik AŞ	3,289	5,344	3,751
Other current assets			
Halkbank	416	214,083	--
Halkbank	416	214,083	--
Capitalization of expenses on investment properties			
Halkbank	118	1,013,850	42,668
Halk Sigorta A.Ş.	--	253,911	40,793
Total	220,761	5,929,904	235,396
Financial borrowings			
Halkbank –kısa vadeli	3,397,355	3,396,983	3,397,361
Halkbank –uzun vadeli	9,152,608	11,349,972	13,340,555
Total	12,549,963	14,746,955	16,737,916
Due to related parties			
Halk Sigorta A.Ş.	46,773	50,907	126,242
Halkbank A.Ş.	16,491	265	--
Total	63,264	51,172	126,242
Short term deferred income			
Halkbank	--	--	2,788,350
Total	--	--	2,788,350
Loan contribution fee paid to related parties			
Halkbank	1,746,272	--	--
Total	1,746,272	--	--

4.2. Income And Expenses From Related Parties

	1 January - 31 December 2016	1 January - 31 December 2015
Revenue-Rental income		
Halkbank	36,664,702	35,661,459
Halk Hayat ve Emeklilik A.Ş.	92,184	86,665
Halk Sigorta A.Ş.	76,185	86,665
Halk Faktoring A.Ş.	--	60,926
Total	36,833,071	35,895,715
Revenue-Interest income		
Halkbank vadeli mevduat faizi	6,109,911	569,249
Halk Yatırım Menkul Değerler A.Ş.	90,800	--
Halkbank finansal yatırım faiz gelirleri	--	942,497
Total	6,200,711	1,511,746
Other income		
Halk Hayat ve Emeklilik AŞ	--	9,146
Halk Sigorta A.Ş.	--	1,582
Total	--	10,728
Financial expenses-Interest expenses		
Halkbank	1,383,050	1,623,127
Total	1,383,050	1,623,127
Cost of sales-Commission expenses		
Halk Yatırım Menkul Değerler A.Ş.	--	695
Total	--	695
Cost of sales-Other expenses		
Halk Sigorta A.Ş.	621,580	203,265
Halk Hayat ve Emeklilik A.Ş.	24,508	7,646
Halkbank	6,923	62,554
Halk Yatırım Menkul Değerler A.Ş.	2,500	2,500
Total	655,511	273,465

For the year ended 31 December 2016, 54% of the revenue comprised the rent and interest income from the related parties (31 December 2015: 37%).

For the year ended 31 December 2016 and 2015, interest income was generated from term deposits and interest expenses comprised from interest expenses on borrowings.

For the year ended 31 December 2016, total benefit which has been provided to Company's top executives is amounting to TL 936,620 (31 December 2015: TL 832,223).

5. CASH AND CASH EQUIVALENTS

As at 31 December 2016, 31 December 2015 and 31 December 2014, cash and cash equivalents are as follows:

	31 December 2016	31 December 2015	31 December 2014
Banks-Time deposits	50,290,076	15,245,167	7,902,288
Banks-Demand deposits	844,566	393,560	424,195
Other liquid assets(*)	166,784	797,731	331,778
Cash and cash equivalents in the statement of financial position	51,301,426	16,436,458	8,658,261
Interest income accruals on cash equivalents	(513,749)	(42,791)	--
Cash and cash equivalents in the statement of cash flows	50,787,677	16,393,667	8,658,261

(*) As at 31 December 2016, 31 December 2015 and 31 December 2014, other liquid assets consist of credit card receivables from sales of residential unit of Bizimtepe Aydos and Erzurum Şehristan Project.

As at 31 December 2016, 31 December 2015 and 31 December 2014, the details of time deposits at banks, bank bonds and reverse repo are as follows:

31 December 2016	Amount	Nominal interest rate (%)	Maturity
Time deposits			
TL	6,860,197	10.80%	19 January 2017
TL	5,875,305	10.80%	5 January 2017
TL	5,054,590	10.80%	12 January 2017
TL	4,093,068	10.75%	19 January 2017
TL	4,078,357	11.00%	19 January 2017
TL	4,078,357	11.00%	12 January 2017
TL	4,008,607	8.75%	12 January 2017
TL	4,001,913	8.75%	19 January 2017
TL	3,516,525	10.80%	12 January 2017
TL	2,034,863	11.00%	5 January 2017
TL	1,777,942	8.00%	2 January 2017
TL	1,610,859	10.80%	5 January 2017
TL	1,428,880	8.00%	2 January 2017
TL	727,281	8.00%	2 January 2017
TL	702,907	8.00%	2 January 2017
TL	355,980	8.00%	2 January 2017
TL	65,412	8.00%	2 January 2017
TL	19,033	8.25%	2 January 2017
Total	50,290,076		

31 December 2015	Amount	Nominal interest rate (%)	Maturity
Time deposits			
TL	5,524,976	12.75%	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
TL	121,872	9.00%	4 January 2016
TL	5,037	9.00%	4 January 2016
TL	1,893	9.00%	4 January 2016
Total	15,245,167		

31 December 2014	Amount	Nominal interest rate (%)	Maturity
Time deposits			
TL	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 2016, the Company has not any financial investment (31 December 2015: None).

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	9.95%
Total	37,816,162	37,928,769		
Total financial investments	37,816,162	37,928,769		



Istanbul International Financial Center



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, Eskişehir, Bizimtepe Aydos Project and Erzurum Şehristan Project respectively amounting to TL 2,022,556, TL 10,902,192 TL 996,980 and other receivables amounting to TL 2,946,082 (31 December 2015: Bakırköy Project TL 1,297,847. Panorama Plus Eskişehir TL 547,737. Bizimtepe Aydos Project TL 3,558,719, and Kocaeli Şekerpinar Project TL 4,649,752 and other receivables amounting to TL 22,443) (31 December 2014: Referans Bakırköy Project TL 8,781,572, Eskişehir Panorama Plus Project TL 3,198,840 and other TL 3,804).

The Company's long-term trade receivables consist of notes receivable from sale of residential units at Bakırköy Project, Bizimtepe Aydos Project and Erzurum Şehristan Project respectively amounting to TL 6,060,202, TL 29,062,160 and TL 152,097 (31 December 2015: Bakırköy Project TL 15,394,330 and Bizimtepe Aydos Project TL 3,639,409) (31 December 2014: Bakırköy Project TL 317,535).

Trade payables

As at 31 December 2016, 31 December 2015 and 31 December 2014, trade payables are as follows:

Short term trade payables	31 December 2016	31 December 2015	31 December 2014
Other trade payables	470,938	1,790,188	480,319
Trade payables to related parties (Note 4)	63,264	51,172	126,242
Total	534,202	1,841,360	606,561

8. INVENTORIES

As at 31 December 2016, 31 December 2015 and 31 December 2014, inventories are as follows:

Land stocks	31 December 2015 Cost	Additions	Disposals	31 December 2016 Cost
İstanbul Bakırköy Land – Residence Project (1)	10,061,154	--	(3,914,434)	6,146,720
Eskişehir- Odunpazarı Land – Residence Project(2)	22,591,755	--	(8,485,285)	14,106,470
Sancaktepe Project(3)	65,311,991	36,087,362	--	101,399,353
Erzurum Şehristan Project(4)	--	31,168,359	--	31,168,359
Total	97,964,900	67,255,721	(12,399,719)	152,820,902

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 2016, 52 independent unit was sold amounting to TL 14,015,299 and cost of sales relating to these sales is amounting to TL 3,914,355 (31 December 2015: 120 independent unit sold amounting to TL 35,835,980 and cost of sales relating to these sales is amounting to TL 10,692,648). 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 2016, the deed transfer process of 262 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 2016, 23 independent unit was sold amounting to TL 10,572,462 and cost of sales relating to these sales is amounting to TL 9,028,862 (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 16,237,690). Block D and Block B amounting to TL 2,288,616 have been transferred to the investment property in 2015.

3) As at 16 October 2014, land in Sancaktepe/İstanbul was purchased amounting to TL 110,000,000 by Halk GYO-Vakıf GYO Adi Ortaklığı 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.

4) As at 1 April 2016, land in Yakutiye /Erzurum was purchased amounting to TL 17,500,000 by Halk GYO- Erkonut Adi Ortaklığı for real estate project, The main contractor services agreement has been signed at 31 May 2016 and the construction permit has been granted on 10 May 2016. There is no restriction on the inventories.

Land stocks	31 December 2014 Cost	Additions	Disposals	31 December 2015 Cost
Istanbul Bakırköy Land – 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

9. DEFERRED INCOME

As at 31 December 2016, 31 December 2015 and 31 December 2014, the details of long and short term deferred income are as follow:

	31 December 2016	31 December 2015	31 December 2014
Deferred residential sale income ⁽¹⁾	21,520,181	44,070,843	55,814,040
Advances taken from subcontractors	--	--	18,200,000
Deferred rental income	--	--	2,788,350
Total short term deferred income	21,520,181	44,070,843	76,802,390
Deferred residential sale income ⁽²⁾	183,793,138	30,813,515	--
Total long term deferred income	183,793,138	30,813,515	--
Total deferred income	205,313,319	74,884,358	76,802,390

1) Deferred residential unit sale income consist of TL 19,669,024 provided by sales of residences from LSRSA project realized on an estate located in Bakırköy and TL 1,851,157 provided by sales of residence project realized from Eskişehir-Odunpazarı Project Deferred residential unit sale income consists of balances in according to sales on LSRSA project. Due to the contract 50,5% revenue from sales is collected by the Company, As at 31 December 2016, TL 27,753,068 of 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 2016, 291 unit has been sold amounting to TL 200,6 Million and conveyance of title has been completed for 262 residential unit amounting to TL 178,6 Million.

2) Total long term deferred income consist of TL 157,172,304 provided by sales of residences from Bizimtepe Aydos Project, which is on Sancaktepe land and TL 26,620,834 provided by sales of residences from Şehristan Project, which is on Erzurum land.

10. INVESTMENT PROPERTY

As at 31 December 2016, 31 December 2015 and 31 December 2014, the details of investment property are as follow:

	31 Aralık 2016	31 Aralık 2015	31 Aralık 2014
Binalar	859,345,116	737,765,116	461,397,555
Yapılmakta olan yatırım amaçlı gayrimenkuller	646,462,575	699,689,671	754,990,915
Toplam	1,505,807,691	1,437,454,787	1,216,388,470

Fair value measurement

The fair values of investment properties were determined by market comparison technique. The fair value measurement of investment properties is classified as level 2.

Insurance amount on investment properties as at 31 December 2016 is TL 245,334,793 (31 December 2015: TL 310,434,793).

As at 31 December 2016, investment property movement is as follows:

Investment property	31 December 2015 Fair value balance	Additions	Transfers	Fair value difference	31 December 2016 Fair value balance
İstanbul Karaköy Building	30,000,000	--	--	2,600,000	32,600,000
İstanbul Salıpazarı Building (a)	46,680,000	330,483	--	2,351,517	49,362,000
İzmir Konak Building-1	21,382,200	--	--	3,747,800	25,130,000
Ankara Kızılay Building	16,200,000	--	--	813,475	17,013,475
İstanbul Beyoğlu Building	22,000,000	--	--	2,555,000	24,555,000
İstanbul Beşiktaş Building	16,030,000	--	--	2,290,000	18,320,000
İstanbul Etiler Building	16,200,000	--	--	566,000	16,766,000
İstanbul Şişli Building	14,325,000	--	--	810,034	15,135,034
İzmir Konak Building-2	13,470,000	--	--	1,372,000	14,842,000
Ankara Başkent Building	11,000,000	--	--	854,750	11,854,750
İstanbul Bakırköy Building	20,865,000	--	--	635,350	21,500,350
Bursa Building	11,860,000	--	--	1,340,000	13,200,000
Ankara Bahçelievler Building 1	9,000,000	--	--	860,000	9,860,000
Kocaeli Building	10,544,000	--	--	1,318,000	11,862,000
İstanbul Fatih Building	10,000,000	--	--	1,253,750	11,253,750
İstanbul Caddebostan Building	18,690,000	--	--	(7,465,000)	11,225,000
Sakarya Adapazarı Building	9,032,500	--	--	1,842,500	10,875,000
Ankara Bahçelievler Building 2	7,650,000	--	--	450,000	8,100,000
İstanbul Ataköy Building	10,975,000	--	--	285,000	11,260,000
İstanbul Nişantaşı Building	8,200,000	--	--	349,250	8,549,250
Halkbank Finans Kule	181,205,360	--	--	5,430,920	186,636,280
Park Dedeman Levent Hotel	145,107,568	--	--	20,270,665	165,378,233
Kocaeli Şekerpınar Banking Center	82,521,600	--	--	6,182,400	88,704,000
Eskişehir- Panorama Plus Konut Project - Block D	4,177,025	--	--	22,735	4,199,760
Eskişehir- Panorama Plus Konut Project - Block B17	649,863	--	--	212,787	862,650
Kocaeli Şekerpınar Office Project (c)	--	--	70,649,391	(348,807)	70,300,584
Buildings total	737,765,116	330,483	70,649,391	50,600,126	859,345,116
İstanbul Financial Center Project (b)	632,096,740	3,266,683	--	11,099,152	646,462,575
Kocaeli Şekerpınar Office Project (c)	67,592,931	3,056,460	(70,649,391)	--	--
Total investment property under construction	699,689,671	6,323,143	(70,649,391)	11,099,152	646,462,575
Total	1,437,454,787	6,653,626	--	61,699,278	1,505,807,691

(a) In the current period, due to Hotel Project on Salıpazarı Building, agreement stamp tax and other duties amounting to TL 329,553 and other expenses amounting to TL 930 are capitalized on the cost of project.

(b) In the current period, due to İstanbul Financial Center Project, architecture and engineering expenses amounting to TL 1,566,395, project management expenses amounting to TL 217,702 agreement stamp tax and other duties amounting to TL 1,294,940 and other expenses amounting to TL 187,646 are capitalized on the cost of project.

(c) In the current period, due to planned banking base on Kocaeli Şekerpınar Office Project, construction expenses amounting to TL 2,602,979 agreement stamp tax and other duties amounting to TL 66,636 and other expenses amounting to TL 386,845 are capitalized on the cost of project.

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

Investment property	31 December 2014 Fair value balance	Additions	Transfers	Fair value difference	31 December 2015 Fair value balance
İstanbul Karaköy Building	28,500,000	--	--	1,500,000	30,000,000
İstanbul Salıpaazarı Building	43,400,000	--	--	3,280,000	46,680,000
İzmir Konak Building-1	18,530,000	--	--	2,852,200	21,382,200
Ankara Kızılay Building	17,675,000	--	--	(1,475,000)	16,200,000
İstanbul Beyoğlu Building	19,270,000	--	--	2,730,000	22,000,000
İstanbul Beşiktaş Building	15,114,000	--	--	916,000	16,030,000
İstanbul Etiler Building	14,575,000	--	--	1,625,000	16,200,000
İstanbul Şişli Building	13,000,000	--	--	1,325,000	14,325,000
İzmir Konak Building-2	12,600,000	--	--	870,000	13,470,000
Ankara Başkent Building	13,224,000	--	--	(2,224,000)	11,000,000
İstanbul Bakırköy Building	19,602,000	--	--	1,263,000	20,865,000
Bursa Building	10,865,000	--	--	995,000	11,860,000
Ankara Bahçelievler Building 1	9,077,500	--	--	(77,500)	9,000,000
Kocaeli Building	8,567,000	--	--	1,977,000	10,544,000
İstanbul Fatih Building	9,050,000	--	--	950,000	10,000,000
İstanbul Caddebostan Building	7,165,000	--	--	11,525,000	18,690,000
Sakarya Adapazarı Building	8,212,050	--	--	820,450	9,032,500
Ankara Bahçelievler Building 2	7,735,000	--	--	(85,000)	7,650,000
İstanbul Ataköy Building	10,290,000	--	--	685,000	10,975,000
İstanbul Nişantaşı Building	7,475,000	--	--	725,000	8,200,000
Halkbank Finans Kule	167,471,005	--	--	13,734,355	181,205,360
Park Dedeman Levent Hotel	--	--	135,690,224	9,417,344	145,107,568
Kocaeli Şekerpinar Banking Center	--	--	68,853,894	13,667,706	82,521,600
Eskişehir- Panorama Plus Konut Project - Block D	--	1,644,422	--	2,532,603	4,177,025
Eskişehir- Panorama Plus Konut Project - Block B17	--	--	--	--	--
Buildings total	461,397,555	2,288,616	204,544,118	69,534,827	737,765,116
Levent Hotel Project (a)	108,160,115	27,530,109	(135,690,224)	--	--
İstanbul Financial Center Project (b)	574,633,400	7,621,024	--	49,842,316	632,096,740
Kocaeli Şekerpinar Office Project(c)	72,197,400	40,839,817	(68,853,894)	23,409,608	67,592,931
Total investment property under construction	754,990,915	75,990,950	(204,544,118)	73,251,924	699,689,671
Total	1,216,388,470	78,279,566	--	142,786,751	1,437,454,787

(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 139,712 are capitalized on the cost of project.

(c) In the current period, due to planned banking base on Kocaeli Şekerpinar Office 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.

Buildings

Istanbul Karaköy Building

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

The value of the investment property has been determined as 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 32,600,000 according to market value approach based on the report dated 13 December 2016 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 A.Ş. The Company earned TL 1,397,550 of rental income for the period started 1 January 2016 and ended 31 December 2016.

Istanbul Salıpazarı Building

Istanbul Salıpazarı Building is registered to Beyoğlu/Istanbul Kılıçlı 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 49,362,000 according to market value approach based on the report dated 16 December 2016 prepared by real estate appraisal company licensed by CMB, There is no restriction on the investment property, The Company earned TL 395,653 of rental income for the period started 1 January 2016 and ended 31 December 2016. The Company signed an agreement with Beril Otelcilik Turizm ve Tic, Ltd, Şti, to rent Salıpazarı Building as a hotel, It was decided to renovate as a hotel and the alterations permit has been granted on 6 January 2017.

İzmir Konak Building-1

Izmir Konak Corporate Building is registered to Konak/İzmir Akdeniz neighbourhood with 971 city block and 17rd plot, It is a massive block bank building with a place of 739 m², For the independent sections of the property there is no construction servitute.

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 25,130,000 according to market value approach based on the report dated 14 December 2016 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 1,270,500 of rental income for the period started 1 January 2016 and ended 31 December 2016.

Ankara Kızılay Building

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

The value of the investment property has been determined as TL 12,475,237 according to the report dated 11 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Kızılay Building and Service Building has been determined as TL 17,013,475 according to market value approach based on the report dated 23 December 2016 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 1,282,600 of rental income for the period started 1 January 2016 and ended 31 December 2016.

Istanbul 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 24,555,000 according to market value approach based on the report dated 14 December 2016 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 1,394,884 of rental income for the period started 1 January 2016 and ended 31 December 2016.

İstanbul Beşiktaş Building

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

The value of the investment property has been determined as TL 11,893,840 according to the report dated 3 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 27 October 2010 by Halkbank. The fair value of Beşiktaş Building has been determined as TL 18,320,000 according to market value approach based on the report dated 16 December 2016 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 1,210,000 of rental income for the period started 1 January 2016 and ended 31 December 2016.

İstanbul Etiler Building

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

The value of the investment property has been determined as TL 11,000,000 according to the report dated 13 November 2009 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 27 October 2010 by Halkbank. The fair value of Etiler Building has been determined as TL 16,766,000 according to market value approach based on the report dated 16 December 2016 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 943,800 of rental income for the period started 1 January 2016 and ended 31 December 2016.

İstanbul Şişli Building

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

The value of the investment property has been determined as TL 11,000,000 according to the report dated 9 December 2009 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Şişli Building has been determined as TL 15,135,034 according to market value approach based on the report dated 16 December 2016 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 931,700 of rental income for the period started 1 January 2016 and ended 31 December 2016.

İzmir Konak Building-2

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

The value of the investment property has been determined as TL 10,290,000 according to the report dated 9 December 2009 prepared by real estate appraisal company licensed by CMB and it was devolved as capital in kind on 2 November 2010 by Halkbank, The fair value of Konak Building has been determined as TL 14,842,000 according to market value approach based on the report dated 16 December 2016 prepared by real estate appraisal company licensed by CMB, There is no restriction on the investment property, The Company rented 180 m² of ground floor and 400 m² of first floor to Halk Sigorta AŞ ("Halk Sigorta"), 171 m² of first floor to Halk Hayat Emeklilik and other divisions to Halkbank, The Company earned TL 873,194 of rental income for the period started 1 January 2016 and ended 31 December 2016.

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 11,854,750 according to market value approach based on the report dated 16 December 2016 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 Akaryakıt, The Company earned TL 1,021,218 of rental income for the period started 1 January 2016 and ended 31 December 2016.

İstanbul Bakırköy Building

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

The value of the investment property has been determined as TL 9,023,500 according to the report that was prepared at 5 February 2010 by the experts assigned by Commercial Court and it was devolved as capital in kind at 28 October 2010 by Halkbank. According to 16 December 2016 dated report of a real estate valuation firm was licensed by CMB, the fair value of Bakırköy Building has been determined as TL 21,500,350 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 1,331,000 of rental income for the period started 1 January 2016 and ended 31 December 2016.

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 13,200,000 according to market value approach based on the report dated 16 December 2016 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 892,980 of rental income for the period started 1 January 2016 and ended 31 December 2016.

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 9,860,000 according to market value approach based on the report dated 13 December 2016 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 673,970 of rental income for the period started 1 January 2016 and ended 31 December 2016.

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 11,862,000 according to market value approach based on the report dated 14 December 2016 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 847,000 of rental income for the period started 1 January 2016 and ended 31 December 2016.

İstanbul Fatih Building

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

The value of the investment property has been determined as TL 6,380,000 according to the report dated 9 December 2009 prepared by real estate appraisal company licensed by CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank, The fair value of Fatih Building has been determined as TL 11,253,750 according to market value approach based on the report dated 16 December 2016 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 605,000 of rental income for the period started 1 January 2016 and ended 31 December 2016.

İstanbul Caddebostan Building

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

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 11,225,000 according to market value approach based on the report dated 16 December 2016 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 57,558 of rental income for the period started 1 January 2016 and ended 31 December 2016. The agreement between the Company and Halkbank terminated on 25 January 2016. The main contractor services agreement has been signed on 3 November 2016 for "Caddebostan Building" which is in the urban transformation process, Land value has been taken into account because of urban transformation process.

Sakarya Adapazarı Building

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

The value of the investment property has been determined as TL 5,960,000 according to the report dated 11 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Adapazarı Building has been determined as TL 10,875,000 according to market value approach based on the report dated 16 December 2016 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 773,553 of rental income for the period started 1 January 2016 and ended 31 December 2016.

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 8,100,000 according to market value approach based on the report dated 16 December 2016 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 663,778 of rental income for the period started 1 January 2016 and ended 31 December 2016.

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 11,260,000 according to market value approach based on the report dated 16 December 2016 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 747,175 of rental income for the period started 1 January 2016 and ended 31 December 2016.

İstanbul Nişantaşı Building

İstanbul Nişantaşı Building is registered to Şişli/İstanbul Halaskargazi neighbourhood with 680 city block and 14th plot. It is an eight-storey massive apartment with a restaurant with a place of 221,50 m². Related property is classified as a cultural asset that is needed to be protected,

The value of the investment property has been determined as TL 5,000,000 according to the report dated 3 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 2 November 2010 by Halkbank, The fair value of Nişantaşı Building has been determined as TL 8,549,250 according to market value approach based on the report dated 16 December 2016 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 508,200 of rental income for the period started 1 January 2016 and ended 31 December 2016.

Halkbank Finance Tower

Halkbank Finance Tower is registered to Ataşehir/Küçükbakkalköy neighbourhood with 3332 city block and 24th plot, It is a land with a place of 7,995 m². The investment property has been purchased from the K Yapı Gayrimenkul Geliştirme İnş. San. ve Dış Tic. A.Ş. Due to related agreement, the payment of half of the cost value included VAT, TL 72,275,000 has been made concurrently transfer of 103 unit land register with servitude, 25% portion of sale price TL 36,137,500 was paid on 13 June 2012 and the last payment portion of sale price TL 33,237,500 was paid on 30 July 2012. The other part of payment TL 2,900,000 due to purchase is net off with the other transactions with the K Yapı Gayrimenkul Geliştirme İnş. San. ve Dış Tic. A.Ş. With the payment of first part, register fee of TL 2,070,600, settling expense of TL 509,253 and finance expense of TL 1,466,224 of the loan related with land are added to the building cost, TL 150,000,000 of mortgage has been given as collateral for the loan which obtained from the Halkbank.

The fair value of Halkbank Finance Tower has been determined as TL 186,636,280 according to market value approach based on the report dated 27 December 2016 prepared by real estate appraisal company licensed by CMB. The Company has recognized TL 15,199,980 of rental income for the period started 1 January 2016 and ended 31 December 2016.

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 A.Ş. The fair value of Park Dedeman Levent Hotel has been determined as TL 165,378,233 according to cost value approach based on the report dated 27 December 2016 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property.

The Company has recognized TL 9,137,850 of rental income for the period started 1 January 2016 and ended 31 December 2016.

Kocaeli Şekerpinar Banking Center

Şekerpinar Banking Center is registered to Şekerpinar/Kocaeli neighbourhood with 420 block and 26 plot. There is no restriction on the investment property. Occupancy permit for Şekerpinar Banking Center 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 88,704,000 according to market value approach based on the report dated 22 December 2016 prepared by real estate appraisal company licensed by CMB.

The Company has recognized TL 5,547,331 of rental income for the period started 1 January 2016 and ended 31 December 2016,

Eskişehir- Panaroma Plus Project - Block D

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 4,199,760 according to market value approach based on the report dated 16 December 2016 prepared by real estate appraisal company licensed by CMB. The Company earned TL 151,861 of rental income for the period started 1 January 2016 and ended 31 December 2016.

Eskişehir- Panaroma Plus Project - Block B17

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 862,650 according to market value approach based on the report dated 16 December 2016 prepared by real estate appraisal company licensed by CMB. The Company earned TL 72,600 of rental income for the period started 1 January 2016 and ended 31 December 2016.

Kocaeli Şekerpinar Office Project

Şekerpinar Office Project is registered to Şekerpinar/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 70,300,584 according to market value approach based on the report dated 22 December 2016 prepared by real estate appraisal company licensed by CMB. After the completion, the fair value of the property shall be TL 76,633,516,

Investment property under construction

Istanbul International 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 646,462,575 according to market value approach based on the report dated 22 December 2016 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 International Financial Center Project is developed under coordination of Ministry of Environment and Urbanisation of Turkish Republic. A protocol and initial confirmation is signed between the Company and the Ministry regarding the administration process of the Project.

At 25 December 2012, previous 3323 city block and 3rd plot of the Company has revised at the new partition plan of the Project and new land is registered as 3328 block 4th plot and 3328 block 11th plot. Plots have surface area of 16,337 m² and 12,395 m², 135,835m² and 102,953 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 IIFC in Istanbul have been granted for the mixed use (office&retail) project. The main contractor services agreement has been signed on 8 December 2016 for "IIFC Project".

Operating leases

The Company as lessor

The Company has signed operating lease agreements with HalkBank, Koton, Halk Sigorta, Turkish Treasury, Beril Otelcilik Turizm and Ceda Akaryakit Turizm as lessor. The future minimum lease payments as at 31 December 2016. 31 December 2015 and 31 December 2014 under non-cancellable leases are as follows:

	31 December 2016	31 December 2015	31 December 2014
Less than one year	47,668,231	31,442,378	25,573,539
Between one and five years	151,368,362	107,116,477	6,823,753
More than five years	50,827,720	46,780,737	575,785
Total	249,64,313	185,339,592	32,973,077

11. TANGIBLE ASSETS

Movement schedule of tangible assets for the period from 1 January 2016 to 31 December 2016 are as follows:

Cost	1 January 2016	Additions	Disposals	31 December 2016
Furniture and fixtures	1,133,691	41,697	(7,230)	1,168,158
Leasehold improvements	661,327	--	--	661,327
	1,795,018	41,697	(7,230)	1,829,485
Accumulated depreciation				
Furniture and fixtures	(545,968)	(203,837)	3,090	(746,715)
Leasehold improvements	(661,327)	--	--	(661,327)
	(1,207,295)	(203,837)	3,090	(1,408,042)
	587,723	(162,140)	(4,140)	421,443

For the year ended 31 December 2016 tangible assets amounting to TL 41,697 were acquired.

As at 31 December 2016, total insurance on tangible assets amounting TL 1,140,000 (31 December 2015: TL 1,400,000),

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

Cost	1 January 2015	Additions	Disposals	31 December 2015
Furniture and fixtures	1,119,413	23,107	(8,829)	1,133,691
Leasehold improvements	661,327	--	--	661,327
	1,780,740	23,107	(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

12. INTANGIBLE ASSETS

Movement schedule of intangible assets for the period from 1 January 2016 to 31 December 2016 are as follows:

Cost	1 January 2016	Additions	Disposals	31 December 2016
Other intangible assets	755,396	--	--	755,396
	755,396	--	--	755,396
Accumulated depreciation				
Other intangible assets	(225,154)	(213,968)	--	(439,122)
	(225,154)	(213,968)	--	(439,122)
	530,242	(213,968)	--	316,274

For the year ended 31 December 2016 no intangible assets were acquired.

As at 31 December 2016, there is no insurance on intangible assets (31 December 2015: None),

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

Cost	1 January 2015	Additions	Disposals	31 December 2015
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)
	(12,745)	(212,409)	--	(225,154)
	703,933	(173,691)	--	530,242





13. LOANS AND BORROWINGS

As at 31 December 2016, 31 December 2015 and 31 December 2014, financial borrowings are as follows:

	31 December 2016	31 December 2015	31 December 2014
Short-term financial liabilities:			
Short-term portion of long-term borrowings	3,397,355	3,396,983	3,397,361
Total short-term borrowings	3,397,355	3,396,983	3,397,361
Long-term borrowings:			
Long-term bank loans	9,152,608	11,349,972	13,340,555
Total long-term liabilities	9,152,608	11,349,972	13,340,555
Total financial liabilities	12,549,963	14,746,955	16,737,916

Financial debt repayment schedule is as follows:

	31 December 2016	31 December 2015	31 December 2014
Less than 1 year	3,397,355	3,396,983	3,397,361
1-2 between years	3,073,640	3,072,510	3,073,017
2-3 between years	2,780,637	2,779,748	2,779,488
3-4 between years	2,514,587	2,514,646	2,514,646
4-5 between years	783,744	2,274,149	2,274,931
More than 5 years	--	708,805	2,698,473
Total	12,549,963	14,746,955	16,737,916

31 December 2016

Currency	Nominal interest rate (%)	Maturity	Short-term	Long-term
TL ⁽¹⁾	8	2021	3,397,355	9,152,608
Total			3,397,355	9,152,608

31 December 2015

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

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

14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2016, The Company is subject of three labour law suits, three consumer law suits, four tax law suit one commercial law suit and one administrative suit which has been filed against the Company.

The possible claims against the Company are amounting to;

- 1) Labour law suit which is in judgement process at İstanbul Anadolu Labor Court amounting to TL 56,880,
- 2) Consumer law suit which is in judgement process at Eskişehir Consumer Court amounting to TL 67,760,

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.

	31 December 2016		31 December 2015		31 December 2014	
	Original amount	Book Value	Original amount	Book Value	Original amount	Book Value
A, Commitments given in the name of own legal entity(1)	256,159,616	256,159,616	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(2)	73,948,731	73,948,731	--	--	--	--
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	330,108,347	330,108,347	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 TL 150,000,000 (31 December 2015: 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 2015: TL 97,504,542), there is no guarantee letter given for electricity and gas supply commitment of Eskişehir Project (31 December 2015: TL 149,255 and TL 6,750), The mortgages have been given to customers related to loan used for Eskişehir project and Bakırköy project amounting to TL 4,780,000 as guarantor, related to Caddebostan Building renovation amounting to TL 1,266,407, related Şekerpinar project amounting TL 48,938, guarantee letter given for related VAT return amounting to TL 2,154,084 and Levent Hotel Project amounting to TL 368,882, related to suit amounting to 36,763 TL (31 December 2015: TL 325,523), and guarantee letter given for Kocaeli project amounting to TL 35,498 (31 December 2015: TL 538,448).

(2) The balance consist of company's guarantor balance for the customers. The company's joint venture foundation of Halk Gyo-Vakif Gyo Adi Ortaklığı begun pre-sales of residential at Bizimtepe Aydos Project. If customers use loans from banks that the Company agreed. Company will be guarantor to to the customers, Halk Gyo-Vakif Gyo Adi Ortaklığı signed the general guarantee agreement with the agreed banks amounting to TL 850,565,000 as of 31 December 2016. The Company's responsibility is TL 425,282,500. The pre-sales of Halk Gyo-Vakif Gyo Adi Ortaklığı amounting to TL 127,556,870 performed through the guarantee agreement. The risk of the Company is TL 63,778,435 due to the pre-sales through the guarantee agreements as of 31 December 2016. The proportion of other CPM and Company's equity is 3,91 % as of 31 December 2016.

(3) The balance consist of company's guarantor balance for the customers. The company's joint venture foundation of Halk Gyo-Erkonut Adi Ortaklığı begun pre-sales of residential at Erzurum Şehristan Project. If customers use loans from banks that the Company agreed. Company will be guarantor to to the customers, Halk Gyo-Erkonut Adi Ortaklığı signed the general guarantee agreement with the agreed banks amounting to TL 175,000,000 as of 31 December 2016. The Company's responsibility is TL 87,500,000. The pre-sales of Halk Gyo-Vakif Gyo Adi Ortaklığı amounting to TL 20,340,592 performed through the guarantee agreement. The risk of the Company is TL 10,170,296 due to the pre-sales through the guarantee agreements as of 31 December 2016. The proportion of other CPM and Company's equity is 0.62 % as of 31 December 2016.

As at 31 December 2016 and 31 December 2015, the details of letter of guarantees are presented below:

	31 December 2016	31 December 2015
YDA İnşaat San. ve Tic. A.Ş. (11)	82,665,000	--
Haldız İnşaat Otomotiv ve Tic. Ltd. Şti. (7)	26,950,000	19,560,000
Dedeman Turizm Yönetimi A.Ş. (2)	14,839,600	12,710,400
Er Konut İnş. Taah. İnş. Mlz. Nakliye ve Mad. Tic. A.Ş. (9)	13,650,000	--
Sapaz Otelcilik Turizm İnşaat Sanayi ve Ticaret A.Ş. (8)	5,564,850	4,766,400
İlgazlar İnşaat Tic. ve San. A.Ş. (6)	2,400,000	2,751,981
K Yapı Gayrimenkul Geliştirme İnş. San. ve Dış Tic. A.Ş. (1)	2,000,000	4,950,296
CNV Yapı Mimarlık San. Tic. Ltd. Şti. (10)	1,610,000	--
Entegre Proje Yönetim Dan. Müh. Tic. A.Ş. (4)	693,158	884,000
Koton Mağazacılık Tekstil San. ve Tic. A.Ş. (5)	440,060	412,503
Borusan Makine ve Güç Sistemleri San. ve Tic. A.Ş. (1)	353,924	303,143
YPU Yapı Proje Uygulama Ltd. Şti. (7)	337,170	368,100
Biskon Yapı A.Ş. (3)	300,000	4,480,200
Megapol Mühendislik Tic. A.Ş. (1)	225,000	198,000
Mutlu Çilingiroğlu Mimarlık İnş. San. ve Tic. Ltd. Şti. (7)	160,500	160,500
Ericsson Telekomünikasyon A.Ş. (1)	--	3,145,824
Proplan Proje Yönetim A.Ş. (6)	--	73,800
Other	343,355	626,119
Total	152,532,617	55,391,266

(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 Yapı A.Ş. 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 lessee 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.

(9) The Company has received letter of guarantee related to Erzurum Şehristan Project.

(10) Guarantee letter has been received from suppliers relating to renovation and construction of Caddebostan Building.

(11) Guarantee letter has been received from prime contractor of IFC Project.

15.EMPLOYEE BENEFITS

As at 31 December 2016, 31 December 2015 and 31 December 2014 the details of employee benefits are presented below:

Short-term liabilities	31 December 2016	31 December 2015	31 December 2014
Employee premium provision	543,573	500,019	492,513
Vacation pay liability	257,582	219,205	184,088
Total	801,155	719,224	676,601

Long-term liabilities	31 December 2016	31 December 2015	31 December 2014
Provision for employee benefits	202,050	151,665	130,142
Total	202,050	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 2016 31 December 2015 and 31 December 2014:

	31 December 2016	31 December 2015	31 December 2014
Discount rate	4.72 %	4.72 %	2.83 %
Expected salary/limit increase rate	6.00 %	6.00 %	6.00 %
Estimated retirement turnover rate	96 %	96 %	96 %

	31 December 2016	31 December 2015	31 December 2014
Balance at the beginning	151,665	130,142	49,390
Interest cost	15,131	11,713	4,840
Service cost	82,363	58,638	61,333
Payments	(49,906)	(25,721)	(5,081)
Actuary difference	2,797	(23,107)	19,660
Balance at the end of period	202,050	151,665	130,142

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

Prepaid expenses

As at 31 December 2016, 31 December 2015 and 31 December 2014, the details of prepaid expenses are presented below:

	31 December 2016	31 December 2015	31 December 2014
Prepaid insurance expenses	220,227	52,219	192,728
Prepaid advertising and promotion expenses	--	30,260	12,563
Other	166,656	63,773	39,621
Total short term prepaid expenses	386,883	146,252	244,912
Investment advances(*)	56,125,984	7,542,325	19,604,382
Other	2,004	5,244	12,459
Total long term prepaid expenses	56,514,871	7,547,569	19,616,841
Total prepaid expenses	56,514,871	7,693,821	19,861,753

(*) As at 31 December 2016, advances given consist of followings, related to IIFC Project amounting to TL 37,879,038, project administration firms due to the Sancaktepe Project advance amounting TL 9,529,353 and due to the Erzurum Şehristan Project advance amounting TL 7,873,322 and other advances given amounting to TL 844,271,

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 IIFC 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,

Other current assets

As at 31 December 2016, 31 December 2015 and 31 December 2014, the details of other current assets are presented below:

	31 December 2016	31 December 2015	31 December 2014
Deferred value added tax ("VAT")	9,400,241	18,855,145	19,897,516
Other current assets from related parties (Note 4)	--	214,083	--
Deposits and guarantees given	56,925	126,014	35,140
Advances given	1,351	3,088	7,357
Other	1,915,412	594,355	478,695
Total	11,373,929	19,792,685	20,418,708

Other non-current assets

As at 31 December 2016, 31 December 2015 and 31 December 2014, the details of other non-current assets are presented below:

	31 December 2016	31 December 2015	31 December 2014
Deferred value added tax ("VAT")	23,221,557	13,419,454	9,901,360
Total	23,221,557	13,419,454	9,901,360

As at 31 December 2016, VAT receivable amounting to TL 23,221,557 caused by purchasing Sancaktepe land of Halk GYO-Vakıf GYO Adi Ortaklığı and purchasing Erzurum land of Halk GYO- Erkonut Adi Ortaklığı are classified to "other non-current assets",

17. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

17.1 Paid In Capital

31 Aralık 2016 ve 31 Aralık 2015 tarihleri itibarıyla, Şirket'in ortaklık yapısı aşağıdaki gibidir:

	Group	31 December 2016		31 December 2015	
		Share %	Amount	Share %	Amount
Halkbank	A	1.58	12,482,570	1.58	11,739,936
Halkbank	B	70.38	556,019,397	70.38	522,939,741
Halk Yatırım Menkul Değerler AŞ	A	0.04	298,113	0.04	280,377
Halk Finansal Kiralama AŞ	A	<0.01	1	<0.01	1
Publicly held(*)	B	28.00	221,199,919	28.00	208,039,945
Paid in capital		100.00	790,000,000	100.00	743,000,000

(*) Halkbank has 58,178,538 B group shares with the share rate of 7,36 on publicly held (31 December 2015: 52,492,058),

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 790,000,000 and had been portioned to 790,000,000 shares. All capital value has been subscribed by the founders; amounting to TL 196,217,979 has been paid as cash, amounting to TL 127,500,000 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.

As at 25 May 2016, the Company increased its share capital to TL 790,000,000 by transferring TL 47,000,000 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 22,271,814 (31 December 2015: 20,946,784 shares). As at 31 December 2016. 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	1.34	1,251,090
Repurchase share	27 February 2013	736,571	1.34	987,004
Repurchase share	28 February 2013	1,000,000	1.34	1,340,000
Repurchase share	1 March 2013	2,297,269	1.32	3,021,922
Repurchase share	5 March 2013	3,455,130	1.33	4,608,678
Repurchase share	11 March 2013	457,867	1.32	604,384
Repurchase share	12 March 2013	586,245	1.32	773,843
Repurchase share	15 March 2013	2,000,000	1.32	2,640,000
Repurchase share	21 March 2013	7,210,586	1.33	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	--
Bonus shares	25 May 2016	1,325,030	0.00	--
Total own shares acquired		22,271,814	1.11	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 2016, the Company's restricted reserves are legal reserves and amounting to TL 37,486,655 (31 December 2015: TL 32,833,600).

17.5. Dividend

As at 25 May 2016, dividend distributed to the shareholders is amounting to TL 5,423,899. Since the Company has written back its own shares in the amount of TL 152,912, net amount of dividend distributed to the shareholders is amounting to TL 5,270,987 (2015: TL 5,792,040).

18. REVENUE AND COST OF SALES

For the years ended 31 December 2016 and 31 December 2015, revenue is as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
Rental income	47,930,935	42,065,203
Income from sales of residence	24,587,761	55,429,807
Other	--	6,133
Total property income	72,518,696	97,501,143
Interest income on deposits	7,000,695	570,344
Income from financial assets at fair value through profit and loss	--	1,462,628
Other	48,571	121,996
Total income from debt securities	7,049,266	2,154,968
Total revenue	79,567,962	99,656,111

For the years ended 31 December 2016 and 31 December 2015, cost of sales are as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
Cost of residence sales	12,943,217	26,930,338
Property tax expense	675,253	632,991
Other	604,143	735,653
Toplam gayrimenkul gelirleri maliyeti	14,222,613	28,298,982
Expense from financial assets at fair value through profit and loss	--	464,620
Commission expenses	--	52,386
Total cost of borrowing instruments	--	517,006
Total cost of sales	14,222,613	28,815,988





19. ADMINISTRATIVE EXPENSES

For the years ended 31 December 2016 and 31 December 2015, administrative expenses are as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
Personnel expenses	6,172,141	5,728,391
Donation and aid expenses	3,550,000	--
Advertisement expenses	526,267	388,521
Consultancy expenses	524,102	443,144
Rent expenses	479,541	451,289
Outsourced service expenses	450,874	473,836
Amortisation expenses	417,805	557,026
Tax and duties expenses	358,123	357,229
Travel and rent a car expenses	335,450	248,172
Office and IT related expenses	145,199	159,133
Maintenance expenses	19,343	34,385
Other	51,037	38,226
Total	13,029,882	8,879,352

Personnel expenses

	1 January – 31 December 2016	1 January – 31 December 2015
Salaries and wages	4,055,655	4,072,373
Social security payroll tax	659,638	635,332
Attendance fee	411,785	267,239
Other	1,045,063	753,447
Total	6,172,141	5,728,391

20. MARKETING, SALES AND DISTRIBUTION EXPENSES

For the years ended 31 December 2016 and 31 December 2015, marketing, sales and distribution expenses are as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
Commission expenses (*)	2,722,845	--
Advertisement expenses	1,493,197	--
Personnel expenses	43,182	--
Tax and duties expenses	69,741	--
Other	769,203	--
Total	5,098,168	--

(*) Commission expenses comprise sales commissions related to Bizimtepe Aydos Project.

21. OTHER OPERATING INCOME / (EXPENSES)

For the years ended 31 December 2016 and 31 December 2015, other operating income / (expense) are as follows:

Other operating income	1 January – 31 Aralık 2016	1 January – 31 December 2015
Revaluation income of investment property	69,513,085	146,648,251
Foreign exchange gains	353,342	667,142
Total	69,866,427	147,315,393

Other operating expense	1 January – 31 Aralık 2016	1 January – 31 December 2015
Revaluation expense of investment property	(7,813,807)	(3,861,500)
Foreign exchange expenses	(162,366)	(871,135)
Total	(7,976,173)	(4,732,635)

22. FINANCIAL EXPENSES

For the years ended 31 December 2016 and 31 December 2015, financial expenses are as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
Interest expenses	1,383,050	1,623,127
Commission expenses	57,447	--
Total	1,440,497	1,623,127

23. 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.

24. 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 2016	1 January – 31 December 2015
Net profit for the period	107,667,056	202,920,402
Weighted average number of shares	790,000,000	790,000,000
Earnings per share (TL)	0.13629	0.25686

25. 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,

25.1. 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 2016, credit risk exposure of financial assets is as follows:

31 December 2016	Receivables							
	Trade receivables		Other receivables		Bank deposits	Financial Investments	Other	Total
	Related parties	Other parties	Related parties	Other parties				
Exposure to maximum credit risk as at reporting date (A+B+C+D)	--	52,142,269	--	--	51,301,426	--	--	103,443,695
A) Net carrying value of financial assets which are neither impaired nor overdue	--	52,142,269	--	--	51,301,426	--	--	103,443,695
B) Net carrying value of financial assets which are overdue but not impaired	--	--	--	--	--	--	--	--
C) Net carrying value of impaired assets	--	--	--	--	--	--	--	--
- Past due (gross book value)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--	--	--
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 2016.

Credit risk (continued)

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

31 December 2015	Receivables							
	Trade receivables		Other receivables		Bank deposits	Financial investments	Other	Total
	Related parties	Other parties	Related parties	Other parties				
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	--	--	--	--	--	--	--	--
- Past due (gross book value)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--	--	--
D) - Overdue (gross book value) - Impairment (-)	--	--	--	--	--	--	--	--
- 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:

31 December 2014	Receivables							
	Trade receivables ar		Other receivables		Bank deposits	Financial investments	Other	Total
	Related parties	Other parties	Related parties	Other parties				
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	--	--	--	--	--	--	--	--
- Past due (gross book value)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
- Covered portion of net book value (with letter of guarantee etc.)	--	--	--	--	--	--	--	--
D) - Overdue (gross book value) - Impairment (-)	--	--	--	--	--	--	--	--
- 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 2014.



Park Dedeman Levent Hotel



25.2. 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 2016	Carrying value	Total of contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Non-derivative financial liabilities						
Loans and borrowings	12,549,963	15,513,512	895,010	2,685,031	11,933,471	--
Trade payables	534,202	534,202	534,202	--	--	--
Total	13,084,165	16,047,714	1,429,212	2,685,031	11,933,471	--

Contractual Maturities						
31 December 2015	Carrying value	Total of contractual cash flows	Up to 3 months	3 months to 1 year	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	14,320,167	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 1 year	1 year to 5 years	More than 5 years
Non-derivative financial liabilities						
Loans and borrowings	16,737,916	22,673,596	895,010	2,685,031	14,320,167	4,773,388
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

25.3. 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 2016, 31 December 2015 and 31 December 2014, foreign currency assets and liabilities are as follows:

	31 December 2016 (Balance TL)	31 December 2015 (Balance TL)	31 December 2014 (Balance TL)
Total foreign currency assets	(Balance TL)	889,359	5,901,343
Total foreign currency liabilities	(1,109)	(916)	(1,372,565)
Net exposure	1,082,048	888,443	4,528,778

	31 December 2016				31 December 2015				31 December 2014			
	TL (functional currency)	USD	EURO	GBP	TL (functional currency)	USD	EURO	GBP	TL (functional currency)	USD	EURO	GBP
1. Trade receivables	742,674	211,035	--	--	889,359	305,874	--	--	1,424,338	614,230	--	--
2a. Monetary financial assets	340,483	96,750	--	--	--	--	--	--	91,233	38,332	500	260
2b. Non-monetary financial assets	--	--	--	--	--	--	--	--	4,332,437	1,868,316	--	--
3. Other	--	--	--	--	--	--	--	--	--	--	--	--
4. CURRENT ASSETS	1,083,157	307,785	--	--	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	1,083,157	307,785	--	--	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	1,109	315	--	--	916	315	--	--	--	--	--	--
13. Short-term liabilities	1,109	315	--	--	916	315	--	--	1,372,565	588,614	2,704	--
14. Trade payables	--	--	--	--	--	--	--	--	--	--	--	--
15. Financial liabilities er	--	--	--	--	--	--	--	--	--	--	--	--
16a. Financial liabilities	--	--	--	--	--	--	--	--	--	--	--	--
16b. Non-monetary liabilities	--	--	--	--	--	--	--	--	--	--	--	--
17. Long-term liabilities	--	--	--	--	--	--	--	--	--	--	--	--
18. TOTAL LIABILITIES	1,109	315	--	--	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	1,082,048	307,470	--	--	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)	1,083,157	307,785	--	--	889,359	305,874	--	--	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 2016	Profit/(loss)		Shareholder's equity	
	Devaluation of TL	Evaluation of TL	Devaluation of TL	Evaluation of TL
10% change in USD against TL;				
1-USD net assets/(liabilities)	108,316	(108,316)	108,316	(108,316)
2-USD proportion hedged from changes(-)	--	--	--	--
3-USD net effect (1+ 2)	108,316	(108,316)	108,316	108,316)
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)	108,316	(108,316)	108,316	(108,316)

31 December 2015	Profit/(loss)		Shareholder's equity	
	Devaluation of TL	Evaluation of TL	Devaluation of TL	Evaluation of TL
10% change in USD against TL;				
1-USD net assets/(liabilities)	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)		Shareholder's equity	
	Devaluation of TL	Evaluation of TL	Devaluation of TL	Evaluation of TL
10% change in USD against TL;				
1-USD net assets/(liabilities)	201,624	(201,624)	201,624	(201,624)
2-USD proportion hedged from changes(-)	--	--	--	--
3-USD net effect (1+ 2)	201,624	(201,624)	201,624	(201,624)
10% change in EURO against TL;				
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	(934)	934	(934)
Toplam (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 2016, 31 December 2015 and 31 December 2014:

	31 December 2016	31 December 2015	31 December 2014
Financial instruments with fixed interest rates			
Financial assets	50,290,076	15,245,167	45,831,057
Cash and cash equivalents i	50,290,076	15,245,167	7,902,288
-Time deposits	50,290,076	15,245,167	7,902,288
Financial investments	--	--	37,928,769
-Bank bonds	--	--	34,841,163
-lease certificate	--	--	3,087,606
Financial liabilities			
Loans and borrowings	12,549,963	14,746,955	16,737,916

Weighted interest rates which are applied to financial instruments as at 31 December 2016, 31 December 2015 and 31 December 2014 are as follows:

	31 December 2016	31 December 2015	31 December 2014
Financial instruments			
Time deposits - TL	10.23%	11.29%	8.11%
Financial investments -TL	--	--	8.58%
Loans and borrowings- TL	8.00%	8.00%	8.00%

25.4. 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.





26. FINANCIAL INSTRUMENTS

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

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

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

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

Financial Assets

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

Trade Receivables

As at 31 December 2016, 31 December 2015 and 31 December 2014, fair value of the long term trade receivables are computed based on the Company's default interest on contracts for trade receivable as at reporting date. The carrying values of short-term trade receivables are assumed to be close to their fair values due to their short term nature.

Financial Liabilities Loans and Borrowings

As at 31 December 2016, 31 December 2015 and 31 December 2014, the fair value of loans and borrowings are calculated by using the Company's borrowing rate at the reporting date.

Trade and Other Payables

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

Fair Value of Financial Instruments

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

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

	31 December 2016		31 December 2015		31 December 2014		
	Note	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets							
Trade receivables	7	52,142,269	49,753,618	29,110,237	28,929,857	12,301,751	12,254,151
Financial liabilities							
Loans and borrowings	13	12,549,963	12,495,211	14,746,955	14,669,334	16,737,916	16,635,443

Classification of fair value measurement

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

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

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

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

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

Classification requires using observable market data if possible.

Classification of fair value measurement

As at 31 December 2016 and 31 December 2015, there is no asset and liabilities which are measured at fair value in the financials. As at 31 December 2014 classification of fair value of financial assets and liabilities measured at fair value are as follows:

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

27. SUBSEQUENT EVENTS

None.

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

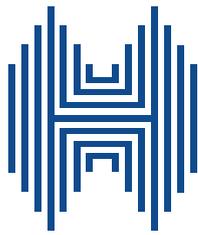
The information contained herein, is summary information derived from the financial statements according to “Communiqué on Financial Reporting in Capital Market” of CMB and these information has been prepared in accordance with the control of portfolio limit compliance of CMB’s “Communiqué on Principles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

As at 31 December 2016, the Company complied with the restrictions that stated on the paragraph “a, b, c, ç 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 below (31 December 2015: There is no incompliance).

Financial statement primary accounts items		Regulations	31 December 2016 (TL)	31 December 2015 (TL)
A	Monetary and capital market instruments	Serial: III-48.1, Article 24/(b)	51,301,426	16,436,458
B	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article 24/(a)	1,658,628,593	1,535,419,687
C	Subsidiaries	Serial: III-48.1, Article 24/(b)	--	--
	Due from related parties (non-trade)	Serial: III-48.1, Article 23/(f)	--	--
	Other assets		144,909,956	71,213,238
D	Total assets	Serial: III-48.1, Article 3/(k)	1,854,839,975	1,623,069,383
E	Loans and borrowings	Serial: III-48.1, Article, 31	12,549,963	14,746,955
F	Other financial liabilities	Serial: III-48.1, Article, 31	--	--
G	Financial leasing obligation	Serial: III-48.1, Article, 31	--	--
H	Due to related parties (non-trade)	Serial: III-48.1, Article, 23/(f)	--	--
I	Equity	Serial: III-48.1, Article, 31	1,630,195,744	1,527,802,472
	Other liabilities		212,094,268	80,519,956
D	Total liabilities and equity	Serial: III-48.1, Article 3/(k)	1,854,839,975	1,623,069,383

Other financial information		Regulations	31 December 2016 (TL)	31 December 2015 (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)	51,134,642	15,638,727
A3	Foreign capital market instruments	Serial: III-48.1, Article 24/(d)	--	--
B1	Foreign real estates, projects, based on real estates	Serial: III-48.1, Article 24/(d)	--	--
B2	Idle land	Serial: III-48.1, Article 24/(c)	--	--
C1	Foreign Subsidiaries (operating companies)	Serial: III-48.1, Article 24/(d)	--	--
C2	Subsidiaries (operating companies)	Seri: III-48.1, 28/1 (a)	--	--
J	Non-cash loans	Serial: III-48.1, Article, 31	179,978,289	99,807,018
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)	--	--
L	Total investments of monetary and capital market instruments at one company	Serial: III-48.1, Article 22/(1)	--	--

Portfolio Restrictions	Regulations	Calculation	Min/Max Rate	31 December 2016 (TL)	31 December 2015 (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%	89.42%	94.60%
3 Real estates, based on Real Estates, Rights based on Real Estates	Serial: III-48.1, Article24/(b)	(A+C-A1)/D	Maximum 49%	2.77%	1.01%
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/(c)	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)/I	Maximum 500%	11.82%	7.50%
8 Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article24/(b)	(A2-A1)/D	Maximum 10%	2.76%	0.96%
9 Total investments of monetary and capital market instruments at one company	Serial: III-48.1, Article 22/(1)	L/D	Maximum 10%	--	--



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