

YEAR 2017

ANNUAL REPORT



HALKGYO

Halk Gayrimenkul Yatırım Ortaklığı...Geleceğe Yatırım Ortaklığı...

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MESSAGE FROM CHAIRMAN

Dear Shareholders,

After the difficult period we experienced in 2016, economy of our country, which achieved a steady growth in 2017, performed better than all of the G20 countries with a growth rate exceeding 11% according to latest data.

The real estate sector in this period, in addition to increasingly continued demand factor by its very nature, continued to accelerate Turkey's economy thanks to planned and still-continuing mega investments. Despite cost increases and fluctuations in exchange rates, effects of which continued during the year, the sector managed to achieve growth targets.

The achievements obtained, and shortcomings determined throughout sector in 2017 show that factors such as urban transformation, extending the real estate-based financial products and recapture of interest rates less than 1 percent per month in residential loans will be important in agenda 2018 of the real estate sector.

Particularly, the extending real estate-based financial products will lead to a significant development in the terms of revealing the real potential of the sector, expanding the capital to base and contributing to the country's economy. Performed the first sukuk issuance by a REIT in Turkey, Halk GYO will continue its pioneering studies in the direction of extending the real estate-based financial products in the forthcoming days.

Our biggest achievement as Halk GYO is; confidence and favour showed by our stakeholders and especially our customers, employees and investors. In this respect, our priority goal is always to create sharable and growing values for our shareholders.

While we are working toward this goal, I thank all of my colleagues who demonstrate their commitment and shareholders who rely on us. I wish that the year 2018 will be a year full of achievements for our country, our industry and our company.

Sincerely,

R. Süleyman ÖZDİL
Chairman of the Board

MESSAGE FROM GENERAL MANAGER**Dear Stakeholders,**

In the real estate sector, we left an active year behind, in which we added new achievements to our company profile. We made important contributions to development process of our country thanks to works performed by us and other components of the sector throughout the year. The record sales figures reached by the continuous investments and increasing demand in this process show that our industry increasingly maintains its dynamism.

When we evaluate the year 2017, although it is stated that there are some problems in the sector in terms of location and project, we see that sales generally increase. We have seen that domestic and foreign investors have increased their interest in the real estate sector, thanks to positive implementations such as the mobilization of residential property, sales campaigns, title deed fees, stamp tax and decreasing VAT from 18 percent to 8 percent during 2017.

Thus, the number of houses sold at the end of 2017 increased by 5.1 percent compared to 2016 and reached to 1 million 410 thousand figures.-In the same period, the number of houses sold to foreign citizens increased by 22.2 percent, thanks to regulations regarding foreigners acquiring residence and granting citizenship rights.

Despite the negative developments in our geography, our country continued to maintain its stable economic growth. When we look at the figures for the third quarter of 2017, we see that the GDP of our country grew by 11.1% compared to the same period of last year and maintained its growth rate compared to the previous quarters. In the same period, the growth rate of our construction sector reached 18.7% and its share from GDP was 6.7%.

Dear Shareholders,

As Halk GYO, we have continued to add value to our stakeholders with products based on real economy besides the prestigious projects we have put into practice in 2017. As Halk GYO, we have carried out pioneering works in the sector regarding the diversification of real estate-based financial products. We performed **“the first REIT sukuk issuance of Turkey”** by completing issuance of lease certificate in the nominal value of TL 100 million and with 87-day maturity. We contributed to increase of diversity of financial products in Turkey’s real estate sector with sukuk issuance.

Succeed to be one of the most powerful actors of Turkish real estate sector in a short while by maintaining rigorously its activities started at the beginning of year 2010, Our company also continued its studies through an understanding that is built around “right project in the right location” perception, without slowing down in this period.

The construction process of two 34- and 46-storey office towers and three 8-story commercial buildings, construction works of which we have undertaken within the scope of the Istanbul International Financial Center project, in which we participate as one of the biggest shareholders, continued throughout the year. Istanbul International Financial Center project, which envisages to increase financial attractiveness of Turkey, aims to be a global center and will bring public banks and public enterprises together, is a mega project that will enable that our country gains international prestige. When implemented, this project will make a great contribution to creating new employment opportunities and economic growth in our country. We are proud of being a part of the mega project, which is planned to be completed at the end of 2019 and implemented in 2020 and added value it will create.

Also, year 2017 became a period in which we added a new project in a new city to our portfolio. In this period, we collaborated with Teknik Yapı, which is new to us. To be constructed with combined specifications consisting of fields of trade, residence and tourism, in accordance with tender terms, Alsancak project will be a work that will enhance beauty of İzmir, Pearl of the Aegean. The project will include structures, parks, hotels, worship areas, offices and residences that will contain cultural functions. We will meet the need of the region regarding prestigious residential with Alsancak Project, which is the first project in İzmir.

Throughout the year, we have also seen positive developments in our projects, sales and construction processes of which continue. Our Bizimtepe Aydos project, which we put into practice in collaboration with Vakıf GYO in 2015 and is located near Sancaktepe Aydos Ormanı, is about to be completed. Our project, delivery of which will begin in May, has reached 71% of sales figure by year-end.

Şehristan Residential Project, which we put into practice with Er Konut İnşaat, affiliate of Erzurum Metropolitan Municipality, is already among the brand projects of Erzurum. In this project we have reached 51% sales figure by the end of the year and delivery period will start as of May.

Dear Stakeholders,

We completed the year 2017, in which we enriched our portfolio with strong business relations, broke new ground in Turkey via sukuk issuance, with a financial status full of achievements. At the end of 2017, our company's total revenue for the twelve months was **TL 82.2 million**, while our net profit increased by **134 percent** to **TL 252.1 million** compared to the same period of the previous year. In the same period, our asset size was realized as **TL 2.4 billion**, while our equity capital reached **TL 1.9 billion**.

We realized our target of average return on assets of about **8%**, which was anticipated at the end of previous year, at the level of **11.91%** with our successful performance during the year. We prided ourselves on adding value to our sector and you, our distinguished shareholders. We will play an active role in the modernization of the cities with our projects that will be put into practice and contribute to real estate sector being one of the leading areas of activity of our country thanks to works we will carry out in the next period by sticking to our fundamental principles as well.

I express my gratitude and pay my respects to our main partner, T. Halk Bankası A.Ş., which provided its full support and used its capacity on behalf of our company in all these processes and activities, our esteemed Members of Board of Directors, valuable employees and all shareholders who stood by our side with their confidence to our company.

Sincerely,

Dr. Feyzullah YETGİN
General Manager and Board Member

I- 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 2017 with the asset size of TL 2.4 billion nearly, and the equity size approaching to TL 1.9 billion.

Headquarters Address	Şerifali Çiftliği Tatlısu Mahallesi Ertuğrulgazi Sokak No:1 34774 Yukarı Dudullu Ümraniye/İSTANBUL
Phone Number	216 600 10 00
Fax Number	216 594 53 72
Website	www.halkgyo.com.tr
Trade Register No	Istanbul / 751122
Mersis No:	0456046607600015

VISION

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

MISSION

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

STRATEGY

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

Brief History

2010-2011

October 2010
Establishment

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

September 2011
Participation of the Bakırköy land in the portfolio

December 2011
Purchase of Halkbank Finans Tower building which was in project phase

Achieving a net profit of TL 30 million in the first fiscal year (2011) with the contribution of sale of real property to profitability...

2012

January 2012
Adding the Eskişehir land to the portfolio

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

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

September 2012

Participation of Kocaeli Şekerpinar land in the portfolio

September 2012

Moving the Company's Head Office to Şerifali region

2013

January 2013

Start of Park Dedeman Levent Hotel project

January 2013

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 earning an income in the amount of TL 250 million via public offering

April 2013

Start of Eskişehir Panorama Plus Residential Project

August 2013

Acquisition of building permit for Şekerpinar Banking Center (Block A) and start of its construction

December 2013

By the sale of our Karşıyaka building with a value of TL 18 million, obtaining a profit of about TL 9 million from the sales process

2014

January 2014

Start of the title deed transfer processes with buyers in Referans Bakırköy project

March 2014

Acquisition of construction permit for Şekerpinar Office Block (Block B) project

September 2014

Establishment of an ordinary partnership with Vakıf GYO to develop a residential project in Sancaktepe, Istanbul

October 2014

Purchasing a land in the amount of TL 110 million within the scope of planned residential project on behalf of Ordinary Partnership

December 2014

Obtaining positive EIA (Environmental Impact Assessment) decision for IFM project

2015

March 2015

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

June 2015

Obtaining of building permits for the IFM project

July 2015

Completion of Park Dedeman Levent Hotel Project and delivery thereof to Dedeman Group, commissioning of hotel

September 2015

Start of title deed transfer with buyers in Panorama Plus project

November 2015

Construction and sales process of Bizimtepe Aydos Residential Project that has been carried out in collaboration with Vakıf GYO, have been started.

December 2015

Lease of Şekerpınar Banking Center (Block A) to Halkbank

2016**April 2016**

Including Erzurum land in the portfolio and establishing an ordinary partnership with Er Konut A.Ş. to develop a residential project.

May 2016

Starting construction and sales of the Şehristan Residential Project, which has been 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 prime contractor for the Building at Caddebostan which has been included in urban transformation process

December 2016

Start of leasing/sales process of Şekerpınar Office Block (Block B)

**Completion of IFM project main contractor selection process, entering into agreement with YDA İnşaat Sanayi ve Ticaret A.Ş. and starting the project construction*

2017**January 2017**

Acquisition of modification construction permit for Salıpazarı Hotel project

May 2017

Selection of consulting firm for marketing process of Halk Office Şekerpınar building

July 2017

Determination of Long-term National Score of our Company as (TR) AA- and Short-term National Score of our Company as (TR) A1+, which will be rated under "investable" category

August 2017

Establishing an Ordinary Partnership with Teknik Yapı for İzmir Project

October 2017

Issue of commercial paper in the amount of TL 100 million

November 2017

Involvement of our company in BIST Dividend Index with corporate governance score of 9.24

December 2017

"The first REIT Sukuk Issuance of Turkey"

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. The Board of Directors consists of a total of 6 members, 3 of which are independent. One of its members is executive one and the other 5 of them are non-executive.

Name-Surname	Duty	Starting Date	Selection Date
R.Süleyman ÖZDİL	President	31.08.2015	15.06.2017
Yüksel GÖRGEÇ	Vice President / Independent Member	14.05.2012	15.06.2017
Yunus KARAN	Member	14.05.2012	15.06.2017
Yahya BAYRAKTAR	Independent Member	10.04.2014	15.06.2017
Mehmet Nihat ÖMEROĞLU	Independent Member	15.06.2017	15.06.2017
Dr. Feyzullah YETGİN	Member / General Manager	18.07.2016	15.06.2017



R.Süleyman ÖZDİL
Chairman of the Board

Recep Suleyman 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. between 1986 and 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 - Independent

He was born in Osmancık / Çorum, 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 Katılım Bankası A.Ş.. He served as Vice Chairman of the Savings Deposit Insurance Fund and 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. GÖRGEÇ, who has been an Independent Member of the Board of Directors in our company since 14.05.2012, 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, Istanbul Academy of Economics and Commercial Sciences. Having started to hold office at Rize Branch of T.C. Ziraat Bankası A.Ş. in 1965, Mr. Karan had served as Branch Manager at Dolapdere, Şehremini and Fatih branches of T.C Ziraat Bankası A.Ş. until 1996, and Fatih Branch Manager at İhlâs Finans Kurumu between 1996 and 1999. Carried out duty as 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.



Yahya BAYRAKTAR
Board Member - Independent

He was born in 1955, Erzincan / Kemaliye. He graduated from Istanbul 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 during his service in the Supervisory Board of Yapı Kredi Bank between 1983-1988, he contributed to electronic auditing and computerized system transition works. In 1988, he worked as inspector and head of department of inspection board in Faisal Financial Institution; between 1991-2006 he worked as Manager of General Accounting, Marketing, Fund and Banking Services, Trade and Finance (Credit Operation) and Fund Management. Between 2006- 2009, he worked as Branch Manager in Türkiye Finans Katılım Bankası. Now he is a member of Board of Trustees of Erzincan Culture and Education Foundation (EKEV) and his area of responsibility includes organization of Student scholarship and training activities.

His book named "Waiting for the Mulberry Season" was published in 2011 by EKEV, which includes articles on economics and finance. Between 2012 and 2016 he carried out the duty of independent Board Member of Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş., one of the public subsidiaries of Vakıf Bank. As of 10.04.2014, he has been fulfilling the duty of Independent Board Member of our Company and he is also an Independent Board Member of Halkbank.



Mehmet Nihat ÖMEROĞLU
Board Member - Independent

He was born in 1947, Antakya. After graduating from Istanbul University, Faculty of Law, he was appointed as Judge in 1975. After serving as a judge for many years, he served as General Director of Legal Affairs and General Directorate of Criminal Affairs in the Ministry of Justice between 2003-2005. In 2005 he was elected as a member of the Supreme Court of Appeals. He retired in 2012. In November 2012, he was elected as the first Chief Public Auditor in the General Assembly of the Turkish Grand National Assembly and served for four years. Served as Independent Member of the Board of Directors in Türkiye Halk Bankası A.Ş. as of 8th June 2017, ÖMEROĞLU, also has been carrying out duty as Independent Member of The Board of Directors in Halk GYO A.Ş. as of 15th June 2017.



Dr. Feyzullah YETGİN
Board Member - General Manager

He was born in 1970, Istanbul. He graduated from Istanbul University, Faculty of Economics, Department of Public Finance. He completed his graduate study with a thesis themed "Leasing and Employment in Turkey" in the Department of Labor Economics of the same university. Completed his doctorate study with a thesis themed "Performance Evaluation and Turkey Application of Real Estate Investment Trusts" in the Department of Banking on Banking and Insurance Institute at the Marmara university in 2002. YETGİN, is entitled to receive the title of associate professor in the Department of Finance, 2012. Continued his business life, which he started in Kale Kimya A.Ş., 1989, in the different leasing companies as manager. YETGİN, carried out duty as General Manager and Board Member in Emlak Konut GYO A.Ş., Toki affiliate of T.R. Prime Ministry, between 2003 and 2009. Lastly, served as General Manager and Board Member at Çalık Emlak ve Gayrimenkul Yatırımları A.Ş. between 2010 and 2016, YETKİN, also served as General Manager at Halk GYO A.Ş. in July 18, 2016. YETGİN has also conducted academic studies in parallel with his business life and has taught "Mortgage and Securitization" in the Master's program regarding Finance and Banking between 2004-2010 and "Financial Instruments Based on Real Estate" in the Real Estate MBA program in 2015-2016 at Kadir Has University. He has articles published on academic journals along with his own book named "Mortgage Sistemi: Türkiye (Teori - Uygulama)" and other books regarding Real Estate Valuation written jointly. Dr. Feyzullah YETGİN, who previously served as Vice President of GYODER (Real Estate and Real Estate Investment Trust Association), responsible for Education and Publications, took over the role of GYODER Presidency after the Ordinary General Assembly held in 2017. Since June 15, 2017, he is also a member of the Board of Directors of Halk GYO A.Ş..

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. During January-December 2017 accounting period, any action taken with the Company and any situation contrary to the prohibition of competition were not experienced.

Board of Directors Meetings

34 board meetings were held during January-December 2017 accounting period, and 68 decisions were adopted in those meetings. Board meetings were held with participation of all members and decisions were unanimously made.

Independence Statements by the Board of Directors

To the CAPITAL MARKET 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 December 31, 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.

15.06.2017
Yüksel GÖRGEÇ
Independent Board Member

To the CAPITAL MARKET 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 December 31, 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.

15.06.2017
Yahya BAYRAKTAR
Independent Board Member

To the CAPITAL MARKET 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 December 31, 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.

23.06.2017
Mehmet Nihat ÖMEROĞLU
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 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 5 meetings and took 5 decisions.

Audit Committee, Corresponding its incumbent duties 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 independent audit company and reviewing all other aspects of the independent auditors' activities. During the period, Committee assembled 9 meetings and took 5 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 6 meetings and took 6 decisions.

The Remuneration Committee identifies and monitors the principles, criteria and practices to be used in remuneration of the members of the Board of Directors and managers who have administrative responsibilities, taking into account the Company's long-term goals. This Committee presents 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. During the period, Committee assembled 1 meeting and took 1 decision.

As of 31.12.2017, the committees and assignment of duties in such committees are as follows:

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 President

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
M.Nihat ÖMEROĞLU	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 worked 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 independent audit company and reviewing all other aspects of the independent auditors' activities. The committee held 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 9 meetings in accordance with the topics mentioned above and took 5 decisions so as to submit them to the Board of Directors.

Corporate governance Committee; conducted studies to regularly review the Company's corporate governance practices and to make improvements in them during the period. 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 held 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 5 meetings in accordance with the topics mentioned above and prepared 5 reports so as to submit them to the Board of Directors.

Committee for Early Detection of Risk; during the period, this committee didn't 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 submitted its reports related to these topics to the Board of Directors. During the period, Committee assembled 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; during the period and within the scope of working principles, 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 2016 Ordinary General Assembly and was approved.

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

Senior Management

Name Surname	Duty	Profession
Dr. Feyzullah YETGİN	General Manager / Board Member	Director
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

Company's senior management consists of Board Members, **Executive Board Member, General Manager and Deputy General Manager. Benefits provided to senior managers include advantages such as wages, premiums, health insurance and transport. The sum of the benefits provided to senior managers during the period is TL 1,246,448. (January 1 - December 31, 2016: TL 936,620)

Changes in the Board of Directors and Executives

At the 2016 Ordinary General Assembly Meeting of our Company held on 15.06.2017, the agenda item for the 2017 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. Yahya BAYRAKTAR (Independent Member)
- 5-) Mr. Mehmet Nihat ÖMEROĞLU (Independent Member)
- 6-) Mrs. Öznur OZAR*
- 7-) Mr. Dr. Feyzullah YETGİN (General Manager)

As a result of the decision of the Board of Directors of our Company dated 19.06.2017, the assignment of the members of the Board of Directors and committee elected and distribution of roles of Executive Board 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. Yahya BAYRAKTAR (President) (Independent Member), Mr. Yunus KARAN, (Member) and Mr. Uğur GÜNEY, Investor Relations Group Chairman (Member), are assigned as the members of the Corporate Governance Committee,

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

Mr. Mehmet Nihat ÖMEROĞLU (President) (Independent Member) and Mr. Yunus KARAN (Member) are assigned as Members of the Remuneration Committee

Mr. Yüksel GÖRGEÇ, Independent Board Member of our company and Vice Chairman, is assigned as President of **Executive Board of our company; Mrs. Öznur OZAR, Board Member, and Dr. Feyzullah YETGİN, Board Member and General Manager, are assigned as Executive Board Members.

*Mrs. Öznur OZAR resigned from the Board of Directors on 07.11.2017.

**It has been decided that the Executive Board established with the decision dated 30.06.2016 and numbered 88/178 of our Company's Board of Directors will be terminated as of 31.12.2017.

Capital of the Company and Shareholding Structure

The capital information and shareholding structure of our Company as of 31st December 2017 is as follows.

Capital Details

Registered Capital
820.000.000.-TL

Authorized Capital
1.500.000.000.-TL

	31.12.2017			31.12.2016	
	Group	Share Rate %	Share Amount TL	Share Rate %	Share Amount TL
Türkiye Halk Bankası A.Ş.	A	1.58	12,956,591.734	1.58	12,482,570.061
Türkiye Halk Bankası A.Ş.	B	70.38	577,134,085.072	70.38	556,019,396.735
Halk Yatırım A.Ş.	A	0.04	309,433.865	0.04	298,113.138
Halk Finansal Kiralama A.Ş.	A	<0.01	1.234	<0.01	1.189
Public Access Section*	B	28.00	229,599,888.095	28.00	221,199,918.877
Capital Receipts		100.00	820,000,000.000	100.00	790,000,000.000

**As of 31.12.2017; Türkiye Halk Bankası A.Ş. has 60,387,844.574 nominal shares; Halk GYO has 23,117,577.711 nominal shares in free float.*

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 were 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 February 13-14-15, 2013.

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

CAPITAL INCREASES						NET PROFIT Cash (DIVIDENDS) Payments
No	Completion Date	Source	Ratio	Former Capital	New Capital	
1	22.02.2013	Public Offering	38.888%	477,000,000 TL	662,500,000 TL	-
2	25.06.2013	Bonus Shares from 2012-year profit	1.6813%	662,500,000 TL	673,638,704 TL	-
3	09.06.2014	Bonus Shares from 2013-year profit	3.6015%	673,638,704 TL	697,900,000 TL	3.0 million TL
4	15.06.2015	Bonus Shares from 2014-year profit	6.4622%	697,900,000 TL	743,000,000 TL	5.9 million TL
5	27.05.2016	Bonus Shares from 2015-year profit	6.3257%	743,000,000 TL	790,000,000 TL	5.4 million TL
6	18.08.2017	Bonus Shares from 2016-year profit	3.7975%	790,000,000 TL	820,000,000 TL	3.0 million TL

The total share of 820,000,000 shares with TL 1 of the nominal value per share are composed of 13,266,026.833 Group A shares and 806,733,973.167 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.

263,358.46 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. TCMB'nin düşürmeye başladığı faizleri arttırması,

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 2017 are provided below:

Shareholder	Share
Türkiye Halk Bankası A.Ş.	79.33%
	Ratio of Public Closed Shares to Total Capital: 71.96%
	Ratio Of Publicly Traded Shares To Total Capital: 7.36%*

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

II- EVALUATION OF THE PERIOD BETWEEN JANUARY 1, 2017 – DECEMBER 31, 2017

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

During the period;

- **Within the scope of needs occurred in practice and in the direction of the İstanbul Financial Center project, some changes have been made on “Communiqué Pertaining to the Amendment of the Communiqué on Material Events Disclosure” (No. II-15.1a) and “Communiqué Pertaining to the Amendment of the Communiqué on Public Disclosure Platform” (No. VII-128.6a). These regulations entered in force by being published in the Official Gazette dated 10/2/2017 and numbered 29975.**

With Communiqué Pertaining to the Amendment of the Communiqué on Material Events Disclosure numbered II-15.1a;

1. it is adjusted in brief that obligation to make special situation statement starts from verification date of offering circular/issuance document.
2. The amount of transactions in a calendar year that creates the obligation to disclose the transactions to the public, made by natural or legal main partner of the issuer as well as the persons who are administratively responsible for the shares representing the capital or the capital market instruments based on these shares and those closely related to them, is increased to TL 250,000.
3. The share of issuers of capital market instruments to be sold to qualified investors within the scope of the liability of fund users in lease certificate issuances is equalized with the provisions that are subject to issuers who are not traded in the stock exchange and the partnerships that export capital market instruments in Turkey are subject to disclosure within the same scope.
4. Borsa İstanbul A.Ş. It is adjusted that shares, which issue capital market instrument to be sold to qualified investors of Communiqué on Material Events Disclosure, of partnerships to be traded in Transaction Market of Qualified Investors shall be subject to disclosure requirements to which non-publicly-traded issuers is liable, and miscellaneous provisions of article 5 of Communiqué on Material Events Disclosure Related to Partnerships whose Shares are Not Traded on the Stock Exchange numbered II-15.2.
5. It is regulated that the Board may require disclosure in other languages as well as Turkish, if it is necessary.
6. The time limit for the announcement of changes in the capital structure and management control of the partnerships adjusted in Articles 12 and 22 of the Communiqué on Material Events Disclosure No. II-15.1 has been extended from 08.00 to 09.00.
7. It is regulated that procedures required to carry out effectively public disclosure applications shall be determined by the Board of Directors of issuer.

With “Communiqué Pertaining to the Amendment of the Communiqué on Public Disclosure Platform” numbered VII-128.6a;

1. It is enabled in brief that notifications to be made by foreign partnership or institutions, whose capital market instruments are traded in Borsa İstanbul A.Ş. in conjunction with Istanbul International Financial Center project, can be carried out by third parties whose service is bought by contract.
 2. It is stipulated that the KAP operator will determine the circumstances in which the authorities of the Public Disclosure Platform (KAP) of electronic certificates are to be canceled and in which cases the termination of access shall be terminated, by taking Board’s convenient opinion.
- **Also, in the context of the needs in practice, some changes have been made on "Communiqué on Real Estate Certificates" numbered VII-128.2. These regulations entered in force by being published in the Official Gazettes dated 07/03/2017 and numbered 29975; dated 29/11/2017 and numbered 30255, respectively.**

➤ **Economic and Sectoral Developments**

World Economy

Important economic and political developments followed in 2017 include the following incidents: FED, which increased interest rates in December, completed year 2017 with three increases and foresees still three interest rate hikes in 2018; The European Central Bank, which reduced its asset purchase program to 30 billion euros and extended it to September 2018 at its meeting in October, has not yet changed and at the meeting in January 2018, announced that interest rates will remain at a lower level; the date of departure of the UK from the European Union is determined as March 2019 during Brexit negotiations officially started on 29 March; in addition to the decisions of the Central Bank of Japan regarding asset purchase program, the Central Bank of England raised interest for the first time in 10 years; Liberal Democrats governed by Prime Minister Abe won the early election in Japan again; Policies, health, tax reforms and budgetary proposal of Trump, and reaction showed by global markets to these; joint declaration published by Gulf countries against Qatar, Qatar government rejected request list, which is made by Gulf countries and consists of 13 articles; Anti-terror Agreement signed between USA and Qatar; in addition to expanding sanctions imposed to Iran and Russia, USA’s extensive sanctions imposed to South Korea, which increased global tension; also, European Union extended period of sanctions imposed to Russia for 6 more months; detentions against top level persons in Saudi Arabia; the Syrian civil war and the subsequent refugee process affecting most countries; terrorist attacks on a global scale; as a result of the independence referendums in Spain and Iraq, which ended in yes, the disturbance occurred in both countries; rejection of the US decision to recognize

Jerusalem as the capital of Israel at the United Nations General Assembly and subsequent developments; protests against regime in Iran; Germany general elections and forming of new government; Davos summit held in Switzerland and Sochi summit held in Russia. Another development followed by global markets was that oil prices being kept at low level by USA and OPEC members, which didn't involve in supply restriction decision, increasing production, went up and became 70 dollar/barrel as a result of disturbance occurred in Iraq after referendum process, Hurricane Irma causing production recession in USA, disturbance in Iran and Saudi Arabia, and dollar, which declined in global markets, increasing demand on commodity, expectation regarding supply restriction by OPEC extending oil output cut until the end of 2018.

According to early estimates, despite the slowdown in growth, which was lower than the expectations of the US, which announced 2.6 percent growth in the fourth quarter of 2017, compared to the same quarter last year, it has been seen that personal consumption spending increased by 3.8 percent and reached its fastest rise since the second quarter of 2016. The inflation rate, which had climbed by 2.2 percent in September, remained above the target of 2 percent with 2.1 percent in December, while the unemployment rate declined to 4.1 percent in October and managed to decline to its lowest level since 2000, by maintaining this level in December. The FED, which made the first interest rate increase in 2017 by raising its policy interest rate by 25 more basis points and increasing to range of 0.75-1.00 percent at the meeting ended on March 15, after no changes made in May, went on an increase in interest rates in parallel with the expectations on June 13, and increased the interest rate band to 1.00-1.25 percent. While the FED acted in line with market expectations and didn't change its policy interests at the meetings held on July 25-26, September 19-20 and October 31- November 1, increased the band to the range of 1,25-1,50 by raising the interest rates by 25 more basis points at the last meeting of the year held on December 12-13, and it is estimated that interest rate hikes will be made three times in 2018. After the meeting the FED said in its statement, "The disruptions related to hurricanes and eliminating these affected the economic activity, employment and inflation in the last few months but did not change the outlook for the national economy in a concrete way," and repeated its statement "The short term risks to the economy are majorly balanced, but the committee follows closely developments in inflation", which it has been using since June.

According to early estimates, *the Euro Zone*, on the other hand, grew by 2.7 percent in the fourth quarter of 2017 compared to the same quarter of the previous year and completed 2017 with a growth rate of 2.5 percent, the best performance since the 2008 financial crisis. The unemployment rate, which was 9.6 percent in January, continued to drop throughout the year, reaching the lowest level since January 2009, with 8.7 percent in November. The inflation rate, which had risen up to 1.9 percent in April, dropped to 1.3 percent in June and saw a rate of increase of 1.4 percent in December. The European Central Bank (ECB), whose most important goal is to prevent deflation, has narrowed its monetary policy in December to extend the purchase of assets to be closed in March, to December 2017 and reduced the amount of monthly purchases from 80 billion euros to 60 billion euros, entering in force as of April. The Bank, which has not changed its policy of expansion or interest rates since the beginning of 2017, has extended the asset

purchase program until September 2018 at its last meeting on October 26 and reduced asset purchases to € 30 billion per month between January and September 2018. The Bank, which reiterated that the size of the asset purchase program could change, or the duration could be extended if the outlook worsened, emphasized in its last meeting that the interest rates would stay at a lower level for a while.

In the *World Economic Outlook Report* in January, the *IMF* said that global growth is expected to accelerate due to developing countries, while the uncertainty about the new US administration's policies and global implications makes forecasts difficult, and didn't change its global growth forecast, which was 3.4 percent for 2017, and 3.6 percent for 2018. In the same report, which was revised in April, it is pointed out that the world economy could gain momentum thanks to the cyclical recovery in industry and trade as well as optimistic financial markets and kept its expectation for 2018 fixed at 3.6 percent by revising its global growth expectation for this year from 3.4 percent to 3.5 percent. The Bank underlined in the same report, which was updated in July, that the recovery in the world economy has gained momentum, but the global growth has not changed. In the report, it is also pointed out that while the global economic risks are seemed to be balanced in the short run, they are likely to be downwards in the medium term, and particularly uncertainty about the economic policies of the Trump administration and the pace of the tightening of the US Federal Reserve, the Brexit negotiations in Europe and the financial imbalances created by China's credit debt were brought forward. It forecasted a further recovery in its report published in October and by raising expectations for global growth by 0.1 point for 2017 and 2018, increased it to 3.6 percent and 3.7 percent, respectively. On the other hand, in a recent report published in January 2018, growth rate for 2017 is revised at 3.7 percent by increasing 0.1 points, and growth rate for 2018-19 is changed as 3.9 percent by increasing 0.2 points and it is stated that Turkey and Poland were two countries which dragged this growth. In the report, it is also emphasized that the US tax cut would have a positive impact on 2018 and 2019 due to increased trade activities, and depending on these, it may be required to make revisions in the context of new positive direction.

In the *"Global Economic Outlook"* report published in June, the *OECD* revised its growth forecasts stated in the "Interim Economic Outlook" report released in March 2017, raising the global growth expectation for 2017 from 3.3 percent to 3.5 percent and maintained its expectation for 2018 at 3.6 percent. In the report, it is emphasized that increased confidence in the consumer and business world, improved employment, increased industrial production and improved trade flows would create momentum for growth and greater efforts are required to share widely the benefits of globalization. On the other hand, in the "Interim Economic Outlook" report released in September, it kept the growth forecast for the world economy for 2017 at 3.5 percent, and announced the growth forecast for 2018 as 3.7 percent, which is increased. However, stating that strong and sustainable medium-term global growth has not yet been achieved, the OECD stressed that business investments and recovery in trade kept lower than the level required to maintain a healthy productivity growth. In the latest report published in November, the Bank stated that the recovery in the global economy maintains gaining strength, continues to expand to general aspects of economy and while it increased its

growth forecast of world economy for 2017 from 3.5 percent to 3.6 percent, on the other hand, the Bank also raised growth estimates for 2018 and 2019 to 3.7 and 3.6 percent. In the report, it is pointed out that structural and fiscal actions need to be intensified in order to increase the long-term growth potential in this period in which developed countries have reduced monetary policy support.

In the same report, while the OECD raised its 2017 and 2018 growth estimates for the US from 2.1 to 2.2 percent and from 2.4 to 2.5 percent, respectively, it also increased its 2017 and 2018 growth expectation for Eurozone from 2.1 to 2.4 percent and from 1.9 to 2.1 percent, respectively.

In June 2017 edition of “*Global Economic Expectations Report*” published twice a year, *the World Bank* increased its global growth expectation to 2.7 percent, which was determined as 2.4 percent in January, by stating that commodity prices were stabilized and world trade volume increased and kept its growth expectation for 2018 and 2019 at the same level, 2.9 percent. Revised its growth forecasts in a manner that it will show an increase, in the context of accelerated recovery in its latest report published in January 2018, the World Bank stated that it expects the global economy to grow by 3 percent in 2017, 3.1 percent in 2018 and 3.0 percent in 2019. In the report, in which it is emphasized that global growth is accelerated due to increasing investments, industrial production and trade volume, it is also pointed out that for the first time since the 2007-2008 financial crisis, the recovery in the world economy was large scaled.

Turkish Economy

The following incidents took place among the important economic and political agenda items of the Turkish economy: global markets; Central Bank of Republic of Turkey (CBRT)’s interest rate policy; Syrian refugee process and negotiations made with EU regarding issue; normalized relation with Russia; cross-border operations launched in Syria and Iraq; continued fight against terrorism; extending emergency state period for the sixth time for 3 months, changes made on council of ministers; crisis solved after US and Turkey suspended mutually visa applications and code-named Operation Olive Branch launched by Turkish Armed Forces (TAF) in Afrin District to fight against terrorism.

Achieved a growth by 5.3 and 5.4 percent, respectively, as Chained Volume Index (2009=100) in first quarter and second quarter of 2017 compared to the same quarter of the previous year, Turkish economy in the third quarter, on the other hand, experienced the fastest growth rate in the last six years and grew by 11.1 percent compared to the same period of the previous year. The most important contribution to growth came from exports of goods and services.

The unemployment rate, which stood at 11.8 percent in January, was announced at level of 10.3 percent in October. It is observed that Government incentives, such as the National Employment Mobilization initiated at the beginning of the year, as well as newly-paid workers' taxes being covered by the state and the unemployment fund's rate

allocated to support employment being increased from 30 percent to 50 percent influenced this decline. It is stipulated in the Medium Term Plan (OVP 2018-2020) published in September 2017 that the trend of increasing labor force participation, especially in women, will continue due to population increase, improvement in the education level and increase in the retirement age based on social security reforms, and impact of these will be weakened with continued high rate of growth, program carried out for employment, and incentives, and it is estimated that unemployment rate will be 10.8 percent for 2017, 10.5 percent for 2018, 9.9 percent for 2019 and 9.6 percent for 2020.

Annual CPI was announced as 11.92 percent in December and annual MPI was stated as 15.47 percent. The highest increase was monthly 1,69% and annually 18.24% in the transportation group. According to "Monthly Price Developments" report of the CBRT, it is stated that while the energy and food inflation declined, upward movement observed in the basic goods inflation due to continued cumulative depreciation of the Turkish lira expanding throughout subgroups and influenced the uptrend of inflation, which fell back to 9.79 percent in July following a bullish trend in the first 5 months of the year. The Bank also lowered its year-end inflation expectation from 9.89 percent to 9.55 percent in the January 2018 Survey of Expectations.

Foreign trade deficit in December 2017 increased by 63.5 percent compared to the same month last year and reached 9 billion 206 million dollars. In the same period, exports increased by 8,6 percent annually while imports increased by 25.4 percent.

Affirmed Turkey's score at Ba1 and determined Turkey's outlook as negative following the developments in 2016 July, **Moody's** stated on April 10 that despite the slowdown in the economy, the data realized higher than their expectations and when looked at the analysis expenses of 4th quarter GDP growth, effort to reverse decline in the household consumption expenditure was successful and increased its growth forecast of Turkey for this year from 2.2 percent to 2.6 percent and from 2.2 percent to 2.9 for 2018. In "Global Macro Economic Outlook" report published on August 30, the Organization, which didn't change Turkey's rating outlook on August 22, increased Turkey's economy growth forecast from 2.6 percent to 3.7 percent for this year due to an increase in the number of tourists from Russia and Israel, implementation of incentives such as tax deductions and loan guarantees, increase in exports to the European Union in the framework of price competition, and anticipated growth rate of about 3.2 percent for 2018.

International credit rating agency, **Fitch Ratings (Fitch)**, lowered its credit rating to "BB +" and determined its outlook as "stable", pointing out that the depreciation in TL on January 27 and the price of oil could push inflation to double. In "Global Economic Outlook" report published in March after this decision, the Organization stated that it expected moderate economic recovery for 2017 in Turkish economy and anticipated that growth would be by 2.4 percent at the end of this year and by 2.8 percent at the end of next year. In "Global Economic Outlook" published in June, the Organization anticipated that Turkish economy would grow by 4.7 percent in 2017 and 4.1 percent in 2018. In the statement with respect to revision, it pointed out that Turkey's economy exceeded expectations by achieving a growth rate of 5 percent in the first quarter of the year compared to the same period last year. In the evaluation announced on July 21, the Organization didn't change Turkey's rating and stated that Turkey was offset by low public debt and strong growth performance in the face of foreign financial sensitivity at

high levels, significant political and geopolitical risks, the high level of inflation and macroeconomic volatility. International credit rating agency underlined in its statement that structural indicators in Turkey were superior compared to peer countries. In its "Global Economic Outlook - September 2017" report, the Organization pointed out that growth performance continued to be supported by a variety of government incentives, including a jump in the commitment of the Credit Guarantee Fund (CGF), which increased lending to SMEs and applied temporary financial measures, and strengthening Euro-Zone economy played a supporting role in the growth performance, and increased its growth forecast for 2017 from 4.7 percent to 5.5 percent.

Another international rating agency, *Standard & Poor's (S&P)*, kept Turkey's rating same in its assessment in May, which was downgraded to "BB" and outlook of which was determined as "negative". In the same report, the Organization increased its growth expectation for 2017 from 2.4 percent to 2.6 and announced its growth expectation for 2018 as 2.8 percent. The Organization, which didn't change anything on rating outlook in the report published in November, emphasized that Turkish economy survived through coup attempt thanks to its strong financial activities, and in the event that pressure regarding inflation is settled, Turkey's rating outlook may be revised as "stable".

In the light of all these macroeconomic developments and policies, the estimated figures for Turkey have been revised with the following figures.

(%)	World Bank		IMF		MTP		OECD	
	2017	2018	2017	2018	2017	2018	2017	2018
Growth	6.7	3.5	5.1	3.5	5.5	5.5	6.1	4.9
Inflation	9.0	8.5	10.9	9.3	9.5	7.0	10.7	9.9
Unemployment	-	-	11.2	10.7	10.8	10.5	10.8	10.7
Current Balance / GDP	-4.7	-5.5	-4.6	-4.6	-4.6	-4.3	-4.8	-4.6

Developments in the Sector

The construction sector grew by 6.0 percent in the first quarter of 2017 and grew by 6.8 percent in the second quarter of 2017 and by 18.7 percent in the third quarter of 2017. The sector continued to be among the sectors that provided the most employment in general.

The Construction Turnover Index, an important sector-wide data, increased by 27.1 percent in the third quarter of 2017. *Construction Production Index* was not included in this quarter.

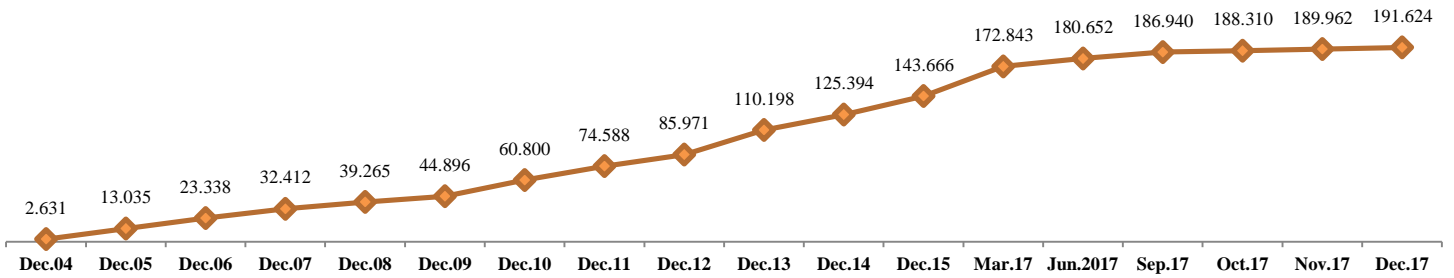
In the January-September period of 2017, surface area of buildings which got *Construction Permits*, increased by 52.2 percent. The total area of the buildings is 222.4 million m²; of which 125,9 million m² were residential, 46,6 million m² were non-residential and 50 million m² were common usage areas.

The area of buildings for which *Occupancy Permits* were given was increased by 10.5 percent. The total area of the buildings is 112.5 million m²; of which 65,1 million m² were residential, 25,4 million m² were non-residential and 22 million m² were common usage areas.

Housing loan interest rates, which decreased to an average of 0.96 percent in December 2016, were at the level of 0,99 percent in June 2017 and were at the level of 1,05 percent by September and reached the level of 1.21 percent in December.

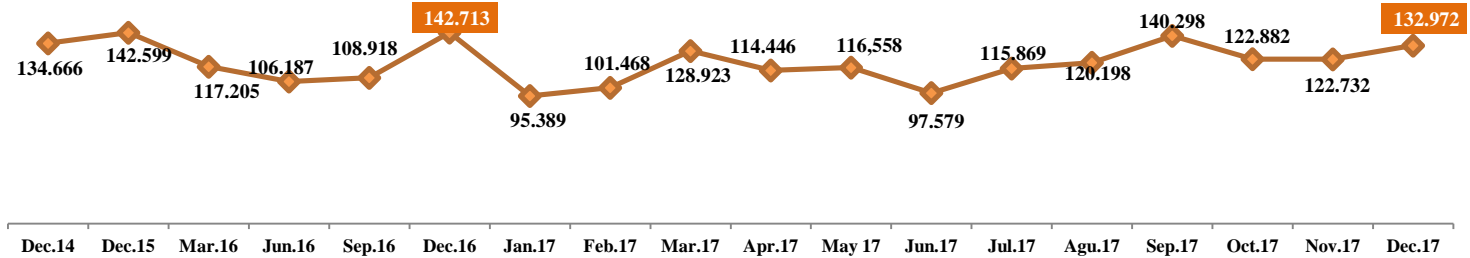
The volume of **housing loans** reached to 191 billion TL at the end of December, and the share in total loans was at 8.98 percent.

—◆— **Housing Loan (mn TL)**



In Turkey, **housing sales** in December showed a 6.8 percent decrease compared to the same month of the previous year and reached to 132,972 units. While the annual increase in housing sales reached 5.1 percent, a total of 1,409,324 units were sold throughout the year.

—◆— **Housing Sales Number**



The Housing Price Index was 249.43 as of November. Unit prices, which are calculated as housing value per square meter, were 2,097.74 TL/m² in November 2017.

III- ACTIVITIES OF THE BOARD OF DIRECTORS BETWEEN JANUARY 1 2017 - DECEMBER 31 2017

Works Related to the Portfolio

The studies about the Company's portfolio and the Company's activities during the **January-December 2017** interim fiscal period are as follows:

Starting from the 31 December 2016 year end financial statements, it has been decided to amend the accounting policy and to measure the Investment Properties and Tangible Fixed Assets with fair value that were previously measured over cost value in the balance sheet.

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, has been extended for 1 year by signing a new lease contract to be effective as of 01.04.2017, for the monthly rent of 1,200,000 TL+VAT.

The renewal and change of function license for our "Salıpazarı Building" which is included in our Company portfolio and which is in the process of hotel project, and the building construction license for our "Caddebostan Bina" which is in the process of urban transformation have been obtained.

Within the scope of "İzmir Konak 1st Stage Revenue Sharing Work in return for Land Sale", which was tendered for a contract by Emlak Konut GYO A.Ş and with the aim of developing a mixed project on the parcels located in İzmir Province, Konak District, Kuruçay Quarter, Umurbey Region, "TEKNİK YAPI (51%) - Halk GYO (49%) Ordinary Partnership" has been established with Teknik Yapı A.Ş. who won the tender, with the profit sharing ratios and expenditures and revenues fifty-fifty. Between the established "TEKNİK YAPI - Halk GYO Ordinary Partnership and Emlak Konut GYO, “Revenue Sharing Contract in return for Land Sales” has been signed with regard to the mentioned project in which commercial + tourism + residential area + parking area + mosque area will be constructed on the total of 47 thousand m² parcels. According to the contract details, the income share rate of the Ordinary Partnership is 65%.

Studies on Financial Structure

It has been decided to receive services from Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. for the process of rating our company's strong equity structure and credibility. As a result of the credit rating process conducted by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. for our Company, Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. rated our Company in the "investable" category and determined our National Long-Term Credit Rating (TR) as

AA-, our National Short-Term Credit (TR) as A1 +, and both credit rating outlook as 'stable'.

Financial advisory and brokerage agreements were signed with Halk Yatırım Menkul Değerler A.Ş. in regard to the issuance of capital market instruments.

Based on authorization empowered by article 7 titled "Debit Limit and Securities Issues" of Articles of Association of our company; in accordance with provisions of Communiqué on Debt Instruments (Nr. VII-128.8) of Capital Markets Board; it has been decided that debit instruments bonds, bills or debit instruments with similar nature to be performed via one or more issuance ways within one-year period in domestic market, having fixed or variable interest rate to be determined according to market conditions in various terms and plans, with or without coupon payment, with a maximum nominal value of TL 500 million shall be issued for sale to private or qualified investors without offering to public, and necessary Board applications have been made. The application was approved by the Board decision dated 23.08.2017 and numbered 32/1089. Within the approved issue limit, the issuance of bonds with a nominal value of TL 100 million with a maturity of 175 days and 14,10% annual interest rate was realized on 06.10.2017.

Based on authorization empowered by article 7 titled "Debit Limit and Securities Issues" of Articles of Association of our company; in the structure where our Company will be the "Funding Recipient"; regarding the subjects of; signing of a contract between our Company and Halk Varlık Kiralama Anonim Şirketi ("Halk VKŞ") for the purpose of lease certificate / certificates issuance, authorization of Halk VKŞ as "Issuer Asset Leasing Company" within the scope of the planned lease certificate issuance program, within one year from CMB decision date that the issuance document, on which Halk VKŞ will be included as the issuer, was determined to be approved, based on the types and contracts of the lease certificates stipulated in various documents and in the Communiqué; Halk Yatırım Menkul Değerler A.Ş. to be authorized as the financial consultant and leading brokerage house for the lease certificates issuance planned to be realized in Turkey for sale in Turkish Lira, to the investors without being offered to the public and / or to the qualified investors, at a nominal value of up to TL 1,000,000,000, establishment of all necessary transactions and signing of contracts within the scope of contracts to be signed and issuance to be realized, it was decided to authorize the General Directorate and the necessary Board applications were made by the issuer company Halk VKŞ. The application was approved by the Board decision dated and numbered 06.12.2017 / 44-1511. Within the approved issuance limit, Turkey's first REIT Sukuk issuance process amounting to TL 100 million with 87 days of maturity, 13,25% annual accounting rate of return, has been completed as of 18.12.2017 by sales to qualified investors method.

Studies related to General Assembly, Capital Increase and Articles of Association

With the decision of our Board of Directors dated 18.05.2017, the Ordinary General Assembly Meeting of our Company for 2016 activity year has been held on June 15, 2017 at 14:30, Thursday, with 79,38 % attendance rate, at the headquarters of the Company, under the supervision of Ms. Fatma YAZICI, Ministry Representative,

commissioned with the writings dated June 14, 2017 and numbered 90726394-431.03-E-00025803006 by Governorship of Istanbul Istanbul Regional Directorate of Customs and Trade at Republic of Turkey.

The related General Assembly resolutions were registered on 29.06.2017 and published in the Trade Registry Gazette dated 05.07.2017 numbered 9360.

At the General Assembly;

-The decision of the Board of Directors regarding the dividend payments for the year 2016 was approved, and the cash dividend amount of 3.000.000.-TL was paid out to our shareholders on 21.06.2017.

- In accordance with the resolution of the Board of Directors dated 19.06.2017, an application was made for capital increase to the Capital Markets Board on 12.07.2017 for distribution of bonus shares with the value of TL 30.000.000. The application for amendment of Article 8 of the Articles of Association, which will be revised on the basis of capital increase, has been approved by Board decision dated 04.08.2017 and numbered 30/1020 and bonus capital increase transactions have started as of 16.08.2017.

- The Company's Articles of Association containing the new capital information was registered on 22.08.2017 and published in the Turkish Trade Registry Gazette dated 28.08.2017 / 9398.

Corporate Governance Studies

Halk GYO has already adopted the Corporate Governance Principles and closely follows the regulations related to the principles, gives utmost care in complying with the principles and makes the necessary improvements in order to increase the degree of compliance with corporate governance principles.

Our Board of Directors has revised the Pricing Policy of our Company and approved at the Ordinary General Assembly meeting of the year 2016.

It has been decided to receive services from Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. for the corporate governance processes during the period.

As a result of the rating process conducted by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., the corporate governance rating of our Company is determined as "92.35". The company's credit ratings from 4 main sections are as follows: Shareholders 94,10, Public Disclosure and Transparency 93,42, Stakeholders 94,36, Board of Directors 89,47.

The corporate governance rating of the company has been determined as the result of Halk GYO's commitment to corporate governance principles, its willingness to carry it out as a continuous and dynamic process, and the improvements it has achieved in this direction. Our Company has started to be traded at the "BİST Corporate Governance Index" with the corporate governance rating it received.

The implementation of the Company's Corporate Governance Principles is detailed in the "Corporate Governance Compliance Report" section.

Transactions performed with Related Parties

The transactions performed with our main shareholder Türkiye Halk Bankası A.Ş. and group companies as well as other Related Parties are the ordinary transactions conducted under business operations, and the transactions in which we are a party mainly 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 2017 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 37,756,362. We have cash and cash equivalents valued at TL 31,328,398 in our bank accounts at Türkiye Halk Bankası A.Ş. as of the end of December 31, 2017. Our company has a financial debt valued at TL 10.117.501 because of the credit used from Türkiye Halk Bankası A.Ş. as of the end of the reporting period. In this respect, more detailed descriptions related to the transactions performed by our Company with the related parties in 2017 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 Subsidiary 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 2017 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
01.01.2017-31.12.2017**

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 the Dominant Company and its Subsidiaries

Receivables and Payables from Related Parties

	31 December 2017
Banks	
Halk Bank A.Ş. (Demand deposit)	607,886
Halk Bank A.Ş. (Term deposit)	30,713,512
Halk Bank A.Ş. (Pos Account)	7,000
Total	31,328,398
Other Receivables to Related Parties	
Halk Bank A.Ş.	147,177
Halk Sigorta A.Ş.	474
Halk Hayat ve Emeklilik A.Ş.	538
Total	148,189
Prepaid expenses	
Halk Sigorta A.Ş.	101,083
Halk Hayat ve Emeklilik A.Ş.	2,407
Capitalization of expenses on investment properties	
Halk Varlık Kiralama A.Ş.	358,855
Halk Yatırım A.Ş.	200,000
Halk Bank A.Ş.	422,155
Loan Contributions to Related Parties	
Halk Bank A.Ş.	1,144,053
Total	1,966,617
Financial borrowings	
Halk Bank A.Ş. –Short term	3,397,671
Halk Bank A.Ş. Long term	6,719,830
Halk Varlık Yönetim A.Ş.	100,435,616
Total	110,553,117
Trade payables to related parties	
Halk Sigorta A.Ş.	35,809
Halk Varlık Kiralama A.Ş.	373,930
Halk Bank A.Ş.	6,984
Total	416,723

Revenues from Related Parties

	31 December 2017
<i>Rent income</i>	
Halk Bank A.Ş.	37,756,362
Halk Hayat ve Emeklilik A.Ş.	89,394
Halk Faktoring A.Ş.	-
Total	37,845,756
<i>Interest income</i>	
Halk Bank A.Ş. Time Deposit Interest Rate	6,145,478
Total	6,145,478

54% of the Company's income in the interim period ended on December 31, 2017 consists of income from related parties.

Related Party Expenses

	31 December 2017
Expenses	
<i>Insurance expenses paid to related parties</i>	
Halk Sigorta A.Ş.	(886,773)
Halk Hayat ve Emeklilik A.Ş.	20,560
<i>Interest expenses paid to related parties</i>	
Halk Bank A.Ş.	1,874,823
<i>Operating expenses paid to related parties</i>	
Halkbank A.Ş.	(158,734)
Total	(2,940,890)

1.1 Transactions with the Dominant company

1.1.1 Incomes

a) Rent income

Our company has leased 19 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 Capital Markets Board and rent increases were made by using annual $PPI + CPI / 2$ ratio. The total rental income during the year is TL 37,756,362. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

b) Interest incomes

On the transactions conducted with Türkiye Halk Bankası A.Ş., TL 6,145,478 interest income was received on the time deposits. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

1.1.2 Expenses

a) Bank Interest Expenses

In 2017, interest of TL 1,874,823 was generated for the loan that our company used from Türkiye Halk Bankası A.Ş. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

b) Bank Transactions Expenses

Due to the transactions made by our Company with Türkiye Halk Bankası A.Ş., operating expense amounting to TL 158,734 has been incurred. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

c) Capitalization of expenses on investment properties

Within the scope of guarantor contracts with Türkiye Halk Bankası A.Ş. for the projects in our Company's portfolio, transactions of TL 1,144,053 as loan contribution payment and TL 422,155 as interest income were realized. In this procedure, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

1.1.3 Financial Debts

Our company has a financial debt of TL 10,117,501, as of 31/12/2017 for the monthly equal installment loan it took from Türkiye Halk Bankası A.Ş in 2011 and TL 3,397,671 of the debt was classified as short-term and TL 6,719,830 as long-term. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

1.2 Transactions with Subsidiaries

1.2.1 Incomes

Rent income

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 89,394 was collected regularly.

The rental value of the property was determined in accordance with the REIT communiqués by Capital Market Board and to increase the rent amount, the formula of PPI+CPI/2 was used. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

1.2.2 Expenses

a) Insurance Expenses

Halk Sigorta A.Ş.

As a result of the health insurance provided to our personnel, projects, buildings, fixtures and fire insurances created by Halk Sigorta A.Ş., TL 987,856 insurance expense has occurred in 2017 of which TL 101,083 has been capitalized as prepaid expense and TL 886,773 has been realized as period expense. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

Halk Hayat ve Emeklilik A.Ş.

Private pension and standard group life insurance policies made by Halk Hayat ve Emeklilik A.Ş. within the scope of the rights provided to the personnel in the year 2017, TL 22,967 expense has been occurred of which TL 2.407 has been capitalized as prepaid expenses and TL 20,560 has been realized as period expense. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

b) Capitalized amounts on ongoing investment properties**Halk Yatırım Menkul Değerler A.Ş.**

Due to the transactions made by our Company with Halk Yatırım Menkul Değerler A.Ş., capitalized expense amounting to TL 200,000 has been incurred. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

Halk Varlık Kiralama A.Ş.

Due to the transactions made by our Company with Halk Varlık Kiralama A.Ş., capitalized expense amounting to TL 358,855 has been incurred. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

c) Financial Debts**Halk Varlık Kiralama A.Ş.**

To meet the financing needs of our company, rent certificate issuance has been made through Halk Varlık Kiralama A.Ş. and 100,435,616 financial debt was generated. In these transactions, no financial interest was provided to the dominant company or its subsidiaries 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 Subsidiaries

None available.

PRECAUTIONS TAKEN

All commercial and legal transactions details of which are 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 Capital Market Board 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 period of activity, in the case that a subsidiary incurs material loss/damage due to intra-group transactions, dominant company has no such 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 were made in favor of dominant or affiliated company with the direction of dominant company and all the Company's provisions which were taken or avoided to be taken in favor of dominant or affiliated company were evaluated in the operating period between 01 January – 31 December 2017. Related to this operating period of 2017, we declare that our Company did not meet such a loss through an action raised due to known circumstances.

IV- FINANCIAL PERFORMANCE

Major Financial Indicators

Income Statement Data (TL)	01.01.2017 31.12.2017	01.01.2016 31.12.2016
Total Revenue	82,240,682	79,567,962
<i>Income from sale of residence</i>	23,934,707	24,587,761
<i>Rent income</i>	51,029,060	47,930,935
<i>Financial Income</i>	7,276,915	7,049,266
Cost of Sales	(15,812,566)	(14,222,613)
<i>Cost of residence sales</i>	(14,150,239)	(12,943,217)
<i>Other Costs</i>	(1,662,327)	(1,279,396)
Gross Profit	66,428,116	65,345,349
General Administrative Expenses	(11,584,483)	(9,479,882)
Sales - Marketing Expenses	(3,421,687)	(5,098,168)
Other Income from Main Activities	2,932,688	353,342
Other Expenses from Main Activities	(4,426,514)	(3,712,366)
Operating Profit	49,928,120	47,408,275
Value Increment of Investment Property	207,300,100	61,699,278
Financial Expenses	(5,119,449)	(1,440,497)
Period Income before Tax	252,108,771	107,667,056
Defined Benefit Pension Plans Revalued Earnings	12,549	(2,797)
Net Profit for the Period	252,121,320	107,664,259
Balance Sheet Data (TL)	31.12.2017	31.12.2016
Assets	2,376,933,740	1,839,587,286
Equity	1,879,401,652	1,630,195,744
Financial Debt	226,914,420	12,549,963
Basic Ratios	31.12.2017	31.12.2016
Financial Debt/Equity	12.0%	0.77%
Equity/Total Assets	79.1%	88.6%
Return on Average Asset	11.9%	6.2%
Return on Average Equity	14.3%	6.9%

2017 Realizations & 2018 Targets

At the end of the year, our Company posted a net profit of 252 TL million, a shareholder equity of 1,879 TL million and an asset size of 2,377 TL million, contributing of the increase in the value of investment properties. Our company's return on average equity realized as 14.33% and return on average asset realized as 11.91 % while it was estimated as 8 %.

Our main income items are rent income, residence sales revenue and financial income. The total income of our company has been realized as 82.2 million TL by the end of 2017 and the real estate size is close to 2.2 billion TL with the last precedent values. Having 23 offices and 1 hotel building and 5 projects with regular rent income in the portfolio, our Company's rental income has increased by 6.5% compared to the end of last year and reached 51 million TL.

Our company, which continued its investments and works on strategic portfolio management throughout 2017, has sold 741 units in the project Sancaktepe Aydos as of year-end, that has been accomplished with Vakıf GYO in November 2015. Deliveries of the project which includes 1037 residential units with 44 commercial units and reached to 71% sales level will start in May.

In "Şehristan Residential" Project that has been realized by getting into a partnership with Er Konut İnşaat A.Ş. , an affiliate of Erzurum Metropolitan Municipality, in May 2016, the sales and construction process has continued concurrently. A total of 316 independent units were sold in the project, which includes 620 residential units and 13 commercial units and reached to a sales volume of 51% by year-end. Project deliveries will start as of May.

It is planned that the sales of independent units of our Eskişehir Panorama Plus and Referans Bakırköy projects to be completed in 2018.

Our company has accelerated renting / sales process studies to third parties for the building "Halk Office Şekerpınar" which is the B Block part of "Şekerpınar Project". A Block part of "Şekerpınar Project" 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 envisaged to finalize the lease or sale period of the real estate in 2018.

The renovation process for transformation of our Salıpazarı building used as office and bank branch to hotel proceeded rapidly in 2017. It is planned to obtain the building permit of our hotel building that started to acquire rental income as of October 2017 and bring it into service within 2018, within the framework of contract made with the operating company.

Construction works for 34 and 46-storey office towers and three commercial buildings with 8-storey, which were included in Istanbul International Financial Center project and whose contractor was elected and the construction was initiated at the end of 2016, continued rapidly throughout 2017. Our project, which reached 13% construction level, is expected to be completed at the end of 2019.

In addition to our ongoing projects, Alsancak Project in İzmir was added to our portfolio in 2017. "TEKNİK YAPI - Halk GYO Ordinary Partnership has been established with Teknik Yapı A.Ş. who won the revenue sharing tender in return for land that Emlak Konut GYO A.Ş. initiated for its land of approximately 47 acres consisting of two separate plots in Alsancak, İzmir in June, with a commitment of a revenue of 1 billion 672 million TL and a revenue share of 35%, with the profit sharing ratios to be obtained with all expenditures and revenues by half. Between the established "TEKNİK YAPI - Halk GYO Ordinary Partnership and Emlak Konut GYO, "Revenue Sharing Contract in return for Land Sales" has been signed on 25.08.2017, with regard to the mentioned project in which commercial + tourism + residential area + parking area + mosque area will be constructed on the total of 47 thousand m² parcels. According to the contract details, the income share rate of the Ordinary Partnership is 65%. Construction process of the project, design works of which are ongoing, is expected to start within 2018.

Having enriched its portfolio with strong cooperation and broken new ground in Turkey with sukuk issuance in REIT sector, Halk GYO will continue its investments that contributes to real economy throughout 2018.

We anticipate that the Company will achieve an ROaA (return on average asset) **around 11%** in 2018, continuing its investments with its main strategy of "developing real estate portfolio heavily based on the commercial property where higher rental yield can be gained and providing high return to its shareholders through an equity weighted financing model".

Sincerely,

Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

Board of Directors

V- DETAILS OF THE ASSETS AND RIGHTS IN THE PORTFOLIO
Real Estate Statement

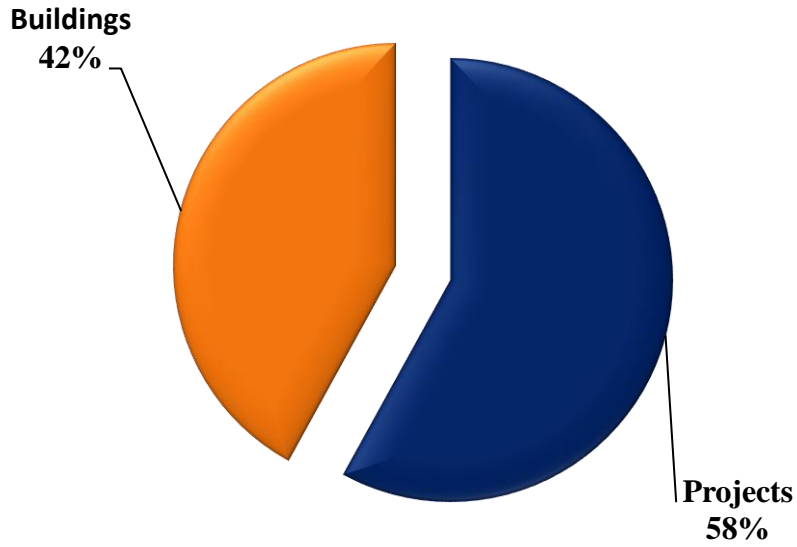
REAL ESTATES	Buying Portfolio Date	*Last Appraisal Value (TL)
PROJECTS		
İstanbul Financial Center Project	28.10.2010	¹ 888,120,000
Bizimtepe Aydos Residential project	16.10.2014	284,255,740
Erzurum Şehristan Residential Project	07.04.2016	96,291,029
Eskişehir Panorama Plus Residential project	24.01.2012	² 12,689,814
Referans Bakırköy Residential project	09.09.2011	² 3,310,913
Projects Total		1,284,667,496
BUILDINGS		
İstanbul, Halkbank Finance Tower	29.12.2011	209,450,640
Park Dedeman Levent Hotel	28.10.2010	176,319,803
Şekerpınar Banking Center	11.09.2012	98,016,800
Halk Office Şekerpınar	11.09.2012	75,832,883
İstanbul Salıpazarı Building	28.10.2010	¹ 59,728,296
İstanbul Karaköy Building	28.10.2010	36,000,000
Izmir, Konak Building 1	28.10.2010	27,156,000
İstanbul Beyoğlu Building	28.10.2010	26,473,003
İstanbul Bakırköy Building	28.10.2010	23,548,000
İstanbul Beşiktaş Building	28.10.2010	19,465,000
Ankara Kızılay Building	28.10.2010	17,013,475
İstanbul Etiler Building	28.10.2010	18,440,000
İstanbul Şişli Building	28.10.2010	16,262,529
Izmir, Konak Building 2	28.10.2010	16,090,500
Bursa Building	28.10.2010	14,400,400
Kocaeli Building	28.10.2010	12,521,000
Ankara Başkent Building	28.10.2010	11,854,750
İstanbul Ataköy Building	28.10.2010	12,463,200
İstanbul Fatih Building	28.10.2010	12,477,083
İstanbul Caddebostan Building	28.10.2010	¹ 12,512,591
Sakarya Adapazarı Building	28.10.2010	12,525,000
Ankara Bahçelievler Building 1	28.10.2010	9,863,250
İstanbul Nişantaşı Building	28.10.2010	9,514,000
Ankara Bahçelievler Building 2	28.10.2010	8,100,000
Buildings Total		936,079,798
TOTAL PORTFOLIO		2,220,747,294

*Appraisal Values are the equivalence values in appraisal reports of year end 2016.

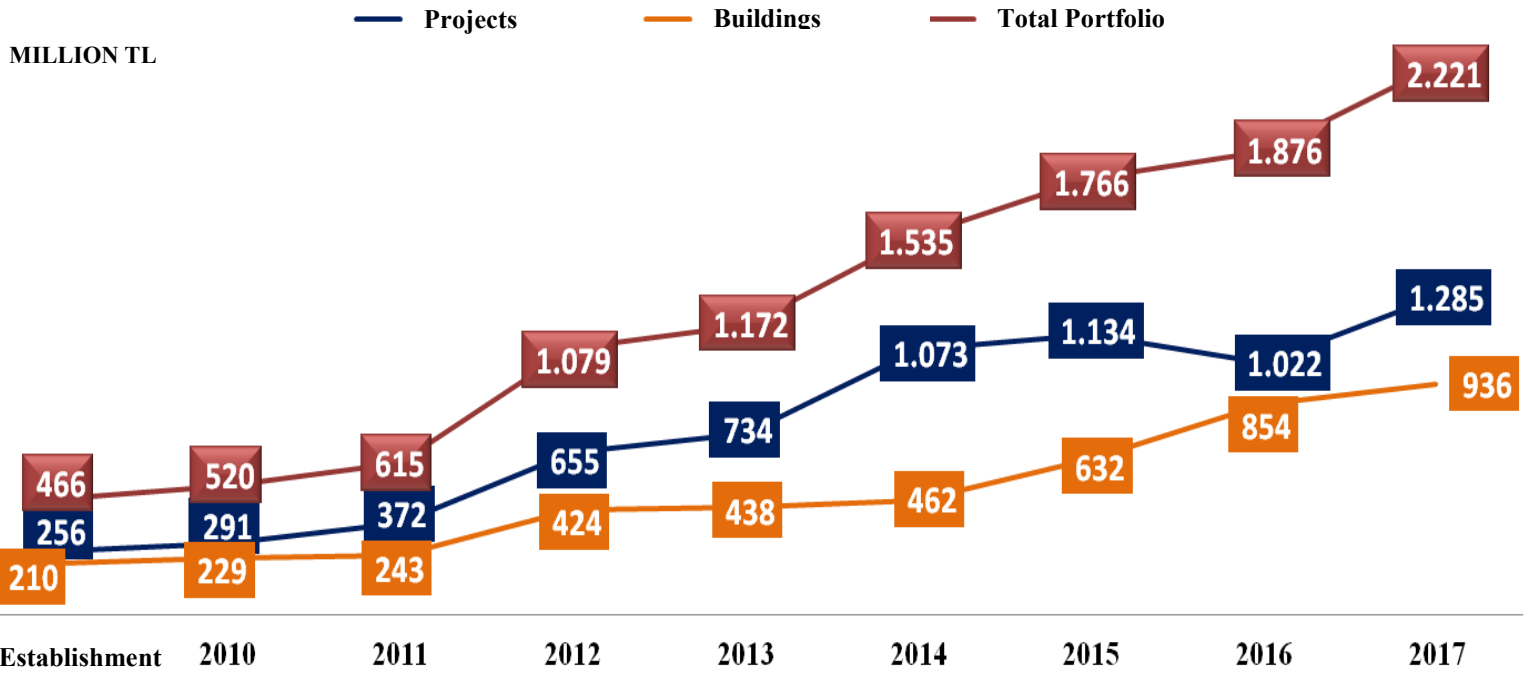
1- Cost value as of report date.

2-It is the equivalence value of the independent sections belonging to Halk GYO.

Real Estate Distribution (According to Last Appraisal Values)



Real Estate Appraisal Values (TL)



Details on 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	JANUARY-DECEMBER RENT INCOME
Halkbank Finance Tower	Halkbank	Head Office	15,165,760
Park Dedeman Levent Hotel	Dedeman Group	Hotel	10,500,000
Şekerpinar Banking Center	Halkbank	Banking Center	5,980,045
Halk Office Şekerpinar*	-	In Marketing Process	-
Karaköy Building	Halkbank	Bank Branch	**1,184,453
Beyoğlu Building	Halkbank	Bank Branch	
	Undersecretariat of Treasury	Office	1,510,810
Bakırköy Building	Halkbank	Bank Branch	1,419,703
Kızılay Building	Halkbank	Bank Branch	1,368,077
Konak Building 1	Halkbank	Bank Branch	1,355,171
Salıpazarı Building	Sapaz Otelcilik	Hotel Transformation	1,506,411
Beşiktaş Building	Halkbank	Bank Branch	1,290,639
Başkent Building	Halkbank	Bank Branch	1,103,388
	Ceda Akaryakıt	Hotel	
Etiler Building	Halkbank	Bank Branch	1,006,698
Şişli Building	Halkbank	Bank Branch	993,792
Caddebostan Building*	-	Urban Transformation	-
Bursa Building	Halkbank	Bank Branch	952,492
Konak Building 2	Halkbank	Bank Branch	841,191
	Halk Emeklilik		
Kocaeli Building	Halkbank	Bank Branch	903,447
Sakarya Adapazarı Building	Halkbank	Bank Branch	825,106
Ataköy Building	Halkbank	Bank Branch	796,969
Bahçelievler Building 1	Halkbank	Bank Branch	718,886
Bahçelievler Building 2	-	-	**281,751
Fatih Building	Halkbank	Bank Branch	645,319
Nişantaşı Building	Halkbank	Bank Branch	542,068
Eskişehir Panorama Plus D Block Commercial Unit	Migros	Market	**65,265
Eskişehir Panorama Plus B Block Commercial Unit	Zülfüye Dilşad Dumlupınar	Shop	71,616
Total			51,029,059

* Since Caddebostan Building is in urban transformation process and Halk Ofis Şekerpinar Building is in marketing process, rental income has not been earned yet.

** Bahçelievler 2 building rent value is for 5 months, Panorama Plus D Block rental value is for 4 months, Karaköy Building rental value is for 10 months. The contract with the leaseholder for Bahçelievler 2 building has been terminated on May 24, 2017. And for Panorama Plus D Block, preliminary sales contract has been signed on April 26, 2017, however title deed transfer has not yet been made.

Our Affiliates and Subsidiaries & Cooperative Activities

The Company does not have any associates or subsidiaries as of December 31st, 2017.

Information on the partnerships of the Company is as follows:

Halk GYO – Vakıf GYO Ordinary Partnership	December 31 2017	December 31 2016
Current assets	206,892,687	56,212,076
Non-current assets	34,709,604	113,175,403
Short-term liabilities	(182,421,467)	(162,444,825)
	January 1- December 31 2017	January 1- December 31 2016
Expenses	(2,901,639)	(4,651,090)

Halk GYO – Er Konut Ordinary Partnership	December 31 2017	December 31 2016
Current assets	70,350,910	13,626,495
Non-current assets	12,703,177	46,046,528
Short-term liabilities	(49,486,778)	(27,478,872)
	January 1- December 31 2017	January 1- December 31 2016
Expenses	(56,683)	(150,905)

Halk GYO-Teknik Yapı Ordinary Partnership	December 31 2017	December 31 2016
Current assets	3,108,217	-
Non-current assets	15,350,087	-
Short-term liabilities	(1,963,853)	-
	January 1- December 31 2017	January 1- December 31 2016
Expenses	(1.252.021)	-

Money and Capital Markets Instruments

01.01.2017 – 31.12.2017 FISCAL PERIOD ANNUAL REPORT

	<u>December 31 2017</u>	<u>December 31 2016</u>
Cash in the Bank	123,138,273	51,134,642
<i>Demand deposit (*)</i>	623,757	844,566
<i>Short term deposits for less than 3 months</i>	122,514,516	50,290,076
Other cash equivalents (*)	7,000	166,784
<hr/>		
<i>Total cash and cash equivalents included in the statement of financial position</i>	123,145,273	51,301,426
Minus=Total cash and cash equivalents interest rediscunts	(524,510)	(513,740)
<hr/>		
<i>Total cash and cash equivalents included in the cash flow statement</i>	122,620,763	50,787,686

(*) There is blocked amount for employee salary payments in the demand deposit amount between December 31, 2017 and December 31, 2016.

(**) As of December 31, 2017, and December 31, 2016, the Company's other cash and cash equivalents consist of credit card receivables from sales of residential units of Erzurum Şehristan Residential and Bizimtepe Aydos Project.

As of December 31, 2017, the details of term deposits in banks are as follows:

<u>December 31, 2017</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>
<u>Time deposit</u>			
TL	639	3.22%	January 2, 2018
TL	1,364	2.00%	January 2, 2018
TL	3,529,916	14.25%	January 5, 2018
TL	10,044,384	13.50%	January 22, 2018
TL	18,131,359	14.30%	February 5, 2018
TL	10,044,384	13.50%	February 20, 2018
EUR	9,051,598	2.25%	February 23, 2018
TL	71,710,872	13.50%	March 16, 2018
<hr/>			
122,514,516			

Completed Projects

Park Dedeman Levent Hotel



Province	:	Istanbul
District	:	Şişli / Levent
Last Appraisal Value	:	176 Million TL

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. Our building, which is one of the most beautiful examples of city hotels in terms of architecture and location, meets the need of a business hotel in Mecidiyeköy-Maslak line.

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

Our hotel building that has been leased to Dedeman Hotels & Resorts International in the framework of the contract signed, has been in operation since July 2015.

Referans Bakırköy



Province
District

: Istanbul
: Bakırköy

" Reference Bakırköy " that has been tendered by a revenue sharing method so as to our Company's share will be 50.5 percent over the total sales revenue and that is located on our land in Bakırköy is our first residential project. The project that we carried out and accomplished together with Biskon Yapı A.Ş., from Kiler Holding subsidiaries, has been located in one of the last remaining project sites, in Bakırköy, a privileged district of Istanbul. Title deeds transfers and session have started as of year 2014.

The project, which is constructed in three blocks, consists of a total of 327 independent units, 254 of which are residential units and 73 are commercial units, and the sales process of the independent units that remained in a limited number is continuing.

Eskişehir “Panorama Plus”



Province	: Eskişehir
District	: Odunpazarı
	:
Last Appraisal Value (value of 16 independent units)	: 12.7 Million TL

The project in our Company’s portfolio, which is brought into action on our land of totally 9,811 m² in Odunpazarı district of Eskişehir Province, consists of totally 102 independent units 97 of which are residential and 5 are commercial units.

The project of which construction and sales process started in November 2013, was completed in 2015. As of 31.12.2017, 16 unsold independent units left in our company's portfolio and the sales process is continuing.

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).

Şekerpınar Project



Province	:	Kocaeli
District	:	Şekerpınar
Last Appraisal Value	:	174 Million TL

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

The "Şekerpınar Banking Center", which is the A block of the project with an area of 9,000 m², was leased for 10 years in April 2015. Our building, which is aimed to be an environmentally friendly structure, owns the "LEED GOLD" certificate.

The marketing process in regard to sale or lease of "Halk Ofis Şekerpınar" which is the B Block part of the project with an area of 53 thousand m², is ongoing.

Ongoing Projects

İstanbul International Financial Center Project “Halk GYO Office Towers”



Province	:	Istanbul
District	:	Ümraniye
Contractor	:	YDA İnşaat A.Ş.
Construction Start Date	:	December 2016
Planned Finish Date	:	December 2019
Construction Area	:	425,000 m ²
Construction Progress Level	:	13%
Appraisal Value	:	TL 888 Million
(Cost value as of report date)		

Our company, as 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, will build two office towers, one with 46 floors and the other with 34 floors and also 3 commercial buildings each with 8 floors.

After the completion of the project, goodwill agreement has been signed with Türkiye Halk Bankası A.Ş. for the leasing of the area to be determined in the direction of the needs and demands of Türkiye Halk Bankası A.Ş.

Bizimtepe Aydos Residential Project

Province	: Istanbul
District	:: Sancaktepe
Last Appraisal Value (HALK GYO's Share)	: 284.2 Million TL
Contractor	: Haldız İnşaat A.Ş.
Construction Start Date	: November 2015
Planned Delivery Date	: May 2018
Construction Progress Level	: 87%
Total Independent Unit	: 1037 Residential + 44 Commercial
Number of Units Sold (As of report date)	: 741 Residential

The Residential Project that has been brought into action by the partnership established with the cooperation of Vakıf GYO is located in Sancaktepe, one of the most popular and developing districts of İstanbul. The project is aimed to meet the residence demand in the region as it is close to Istanbul International Financial Center.

The project which shines with motto "Happiness begins at home", will have 95k sqm land, 90% of which is allocated for landscape. The project will consist of 13-storey 17 blocks, total of 1037 residential and 44 commercial units, with flat types of 2+1, 3+1, 4+1, with hobby gardens, bicycle and running tracks, arbors and ponds, grass amphitheaters, as well as commercial units, private kindergarten and market.

Şehristan Residential Project

Province	: Erzurum
District	:: Yakutiye
Last Appraisal Value (HALK GYO's Share)	: 96.3 Million TL
Contractor	: Er Konut İnşaat A.Ş.
Construction Start Date	: May 2016
Planned Delivery Date	: May 2018
Construction Progress Level	: 84%
Total Independent Unit	: 620 Residential + 13 Commercial
Number of Units Sold (As of report date)	: 316 Residential

The land in Erzurum province Yakutiye district, which was owned by Er Konut İnşaat, an affiliate of Erzurum Metropolitan Municipality, was included in the portfolio to develop a residential project in April 2016. 13 blocks in 3 different styles, each with 13-storey, totally 620 residential and 13 commercial units on a land of 23,734 m² take place in the project realized by 50 percent-50 percent partnership with Halk GYO-Er Konut İnşaat Ordinary partnership.

The project that was launched and construction of which was started in May 2016, is planned to be delivered in May 2018.

Salıpazarı Hotel Project



Province	: Istanbul
District	:: Beyoğlu - Salıpazarı
Building Appraisal Value (Cost value as of report date)	: 59.7 Million TL
Leaseholder/Operator Company	: Sapaz Otelcilik
Rental Period	: 20 years
Planned Opening Date	: 2018

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 as a result of the studies conducted, it has been concluded that the use of the building as a "hotel" will be the most efficient form of utilization in terms of contribution to the company's portfolio.

A "leasing contract" was signed with Beril Otelcilik Turizm Ticaret Ltd. Şti. in March 2015, 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 hotel.

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

Renovation process of the project is ongoing.

Planned Projects

İzmir Alsancak Project



Province	:	İzmir
District	::	Alsancak
Plot size	:	47,070 m ²
Project Scope	:	Residential+Commercial+Tourism
Project Revenue Size	:	1 billion 672 million TL

"TEKNİK YAPI - Halk GYO Ordinary Partnership has been established with Teknik Yapı A.Ş. who won the revenue sharing tender in return for land that Emlak Konut GYO A.Ş. initiated for its land of approximately 47 acres consisting of two separate plots in Alsancak, İzmir in June, with a commitment of a revenue of 1 billion 672 million TL and a revenue share of 35%, with the profit sharing ratios to be obtained with all expenditures and revenues by half.

Between the established "TEKNİK YAPI - Halk GYO Ordinary Partnership and Emlak Konut GYO, "Revenue Sharing Contract in return for Land Sales" has been signed on 25.08.2017, with regard to the mentioned project in which commercial + tourism + residential area + parking area + mosque area will be constructed on the total of 47 thousand m² parcels. According to the contract details, the income share rate of the Ordinary Partnership is 65%.

Information regarding Portfolio Limitations

Main booking items of financial statement		First arrangement	December 31, 2017 (TL)	December 31, 2016 (TL)
A	Money and capital market instruments	Serial Article 24/(b), Communiqué numbered III-48.1	123,145,273	51,301,426
B	Real estate, projects based on real estate, rights based on real estate	Serial: Article 24 (a), Communiqué numbered III-48.1	2,080,389,207	1,658,628,593
C	Subsidiaries	Serial Article 24/(b), Communiqué numbered III-48.1		
	Receivables from related parties (non-commercial)	Serial Article 23/ (f), Communiqué numbered III-48.1	-	-
	Other assets		173,399,260	129,657,267
D	Total assets	Serial: Article 3 / (k), Communiqué numbered III-48.1	2,376,933,740	1,839,587,286
E	Financial debt	Serial: Article 31, Communiqué numbered III-48.1	226,914,420	12,549,963
F	Other financial commitments	Serial Article 31, Communiqué numbered III-48	-	-
G	Leasing payables	Serial: Article 31, Communiqué numbered III-48.1		
H	Debts to affiliates (non-commercial)	Serial Article 23/ (f), Communiqué numbered III-48.1		
I	Shareholder's equity	Serial: Article 31, Communiqué numbered III-48.1	1,879,401,652	1,630,195,744
	Other liabilities		270,617,668	196,841,579
D	Total liabilities	Serial: Article 3/(k), Communiqué numbered III-48.1	2,376,933,740	1,839,587,286
	Miscellaneous	Related arrangement	December 31, 2017 (TL)	December 31, 2016 (TL)
A1	Part of money and capital market instruments held for 3 years real estate payments	Serial: Article 24/ (b), Communiqué numbered III-48.1	-	-
A	Timed / Demand TL/Foreign Currency	Serial: Article 24/ (b), Communiqué numbered III-48.1	123,138,273	51,134,642
A3	Foreign capital market instruments	Serial: Article 24 / (d), Communiqué numbered III-48.1		
B1	Foreign real estate, projects based on real estate, rights based on real estate	Serial: Article 24 / (d), Communiqué numbered III-48.1	-	-
B	Idle plot / land	Serial: Serial: Article 24 / (c), Communiqué numbered III-48.1		
C1	Foreign subsidiaries	Serial Article 24/ (b), Communiqué numbered III-48.1		
C2	Subsidiary to management company	Serial Article 28, Communiqué numbered III-48. 1		-
J	Non-cash loans	Serial: Article 31, Communiqué numbered III-48.1	283,396,956	180,108,347
K	Mortgage payments on mortgaged lands, ownership of which is not belonging to partnership and on which a project will be developed	Serial Article 22/(e), Communiqué numbered III-48.1	-	-
L	Sum of investments in money and capital market instruments in a single company	Serial: Article 22/(I), Communiqué numbered III-48.1		

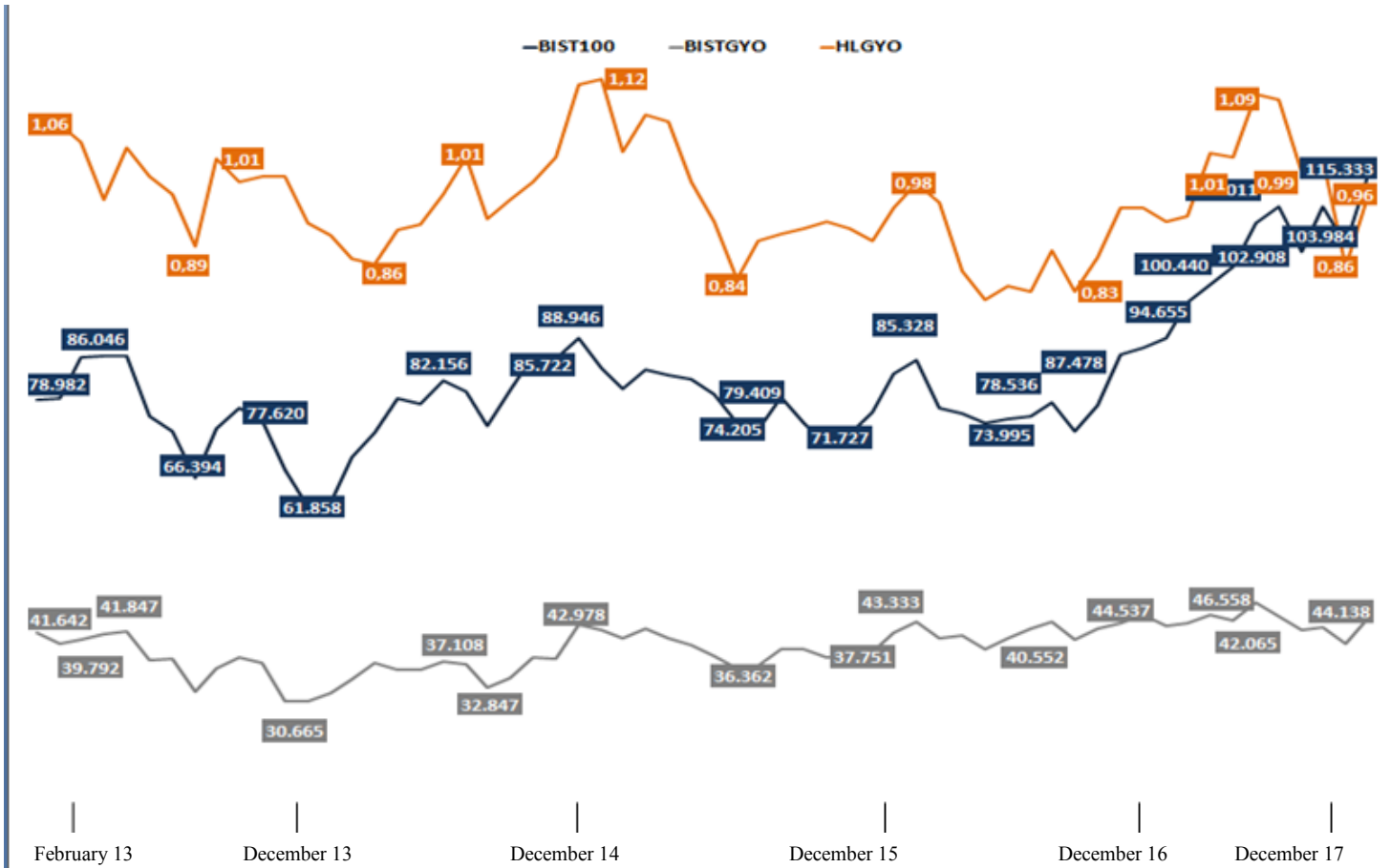
Portfolio limitations	Related arrangement	Calculation	Minimum/Maximum	December 31, 2017 (TL)	December 31, 2016 (TL)
1 Mortgage payments on mortgaged lands, ownership of which is not belonging to partnership and on which a project will be developed	Serial Article 22/(e), Communiqué numbered III-48.1	K/D	Maximum 10%		
2 Real Estate, Projects Based on Real Estate, Rights Based on Real Estate	Serial Article 24 (a),(b), Communiqué numbered III-48.1	(B+A1)/D	Minimum 51%	87.52%	90.16%
3 Money and Capital Market Instruments and Subsidiaries	Serial Article 24/(b), Communiqué numbered III-48.1	(A-C-A1) D	Maximum 49%	5.18%	2.79%
4 Foreign Real Estate, Projects Based on Real Estate, Rights Based on Real Estate, Subsidiaries, Capital Market Instruments	Serial Article 24/(d), Communiqué numbered III-48.1	(A3+BI-C1)/D	Maximum 49%		
5 Idle Plot / Land	Serial Article 24/(c), Communiqué numbered III-48,1		Maximum 20%		
6 Subsidiary to Management Company	Serial Article 28, Communiqué numbered III-48.1	C2D	Maximum 10%		
7 Borrowing Limit	Serial Article 31, Communiqué numbered III-48.1	(E+F+G+H+J)/I	Maximum 500%	27.15%	
8 Timed / Demand TL/Foreign Currency	Serial: Article 24/(b), Communiqué numbered III-48.1	(A2-A1) D	Maximum 10%	5.18%	2.78%
9 Sum of investments in money and capital market instruments in a single company	Serial Article 24/(b), Communiqué numbered III-48.1 2		Maximum 10%		

VI- 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, BIST CORPORATE GOVERNANCE AND BIST 100 indexes.

As of December, 2017	Piece	Rate (%)	Market Value (TL)
Closing Price			0,96
Total Shares	820,000,000		787,200,000
Total Publicly Held Shares	229,599,888	28.00	220,415,893
Other Shares in Actual Circulation	146,094,466	17.82	140,250,687
HALKBANK's shares from BIST	60,387,845	7.36	57,972,331
HALKGYO's shares from BIST	23,117,578	2.82	22,192,875

In December 2017, the BIST 100 index increased by 47.60% compared to the previous year, while the GYO index increased by 4,47% in one-year performance. The share of the company increased by 9.84% in annual terms and realized the closing of the year at 0.96 TL. The Company is at the 7th rank in the sector with 787.2 million TL in terms of market value as of the end of the period.



VII- 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 have 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 is 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 kinds of the Company's operations and provide added value to the Company. Risk management and internal control operations in our Company are conducted by the "Department of Internal Audit and Risk Control" and the "Department of Risk Management". The "Department of Internal Audit and Risk Control" makes reporting simultaneously to the Audit Committee and senior management of the company in respect of the risks related to the company's operation, risk policy of the company and risk management in accordance with the relevant internal regulations. A periodic assessment report, a statement of compliance with and follow up of the portfolio restrictions, and a monthly statement of liquidity rate are drawn up by the Department of Risk Management, and these are submitted simultaneously to the Audit Committee, Corporate Governance Committee and Early Detection of Risk Committee and to the senior. 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. Internal Audit and Risk Control Regulation " 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 arising from 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 been started to be used by all the units 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 under 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 are not directed 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).

VIII- OUTSOURCED COMPANIES

➤ **Independent Audit Company**

DRT Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
(Deloitte)

➤ **Rating Company**

Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş.

➤ **Appraisal Companies**

A Artı Bir Gayrimenkul Değerleme A.Ş.
Vizyon Gayrimenkul Değerleme ve Danışmanlık A.Ş.

➤ **Advertising Agency**

M&G Reklam Hizmetleri

➤ **PR Agency**

Grup7 İletişim Danışmanlığı A.Ş.

➤ **Project Marketing and Consulting Company**

Aremas Pazarlama ve Danışmanlık Hizmetleri Ltd. Şti.
Promark Gayrimenkul Yatırım Satış ve Pazarlama A.Ş.

IX- OTHER TOPICS

Human Resources

It is essential for our company to bring the human resources with necessary qualifications and development ability and to provide the continuous development and motivation of its qualified personnel, in reaching its mission, vision and goals.

Topics such as recruitment conditions, career guidance and promotion conditions, monetary arrangements and social benefits are presented to the employees in detail in the Company Human Resources Regulation. All the decisions taken about the employees are conducted in accordance with the relevant guidelines within the framework of Human Resources.

Job descriptions of employees have been created as a result of job analysis. The number of employees is determined by the distribution of tasks in line with the workloads and demands of the units.

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

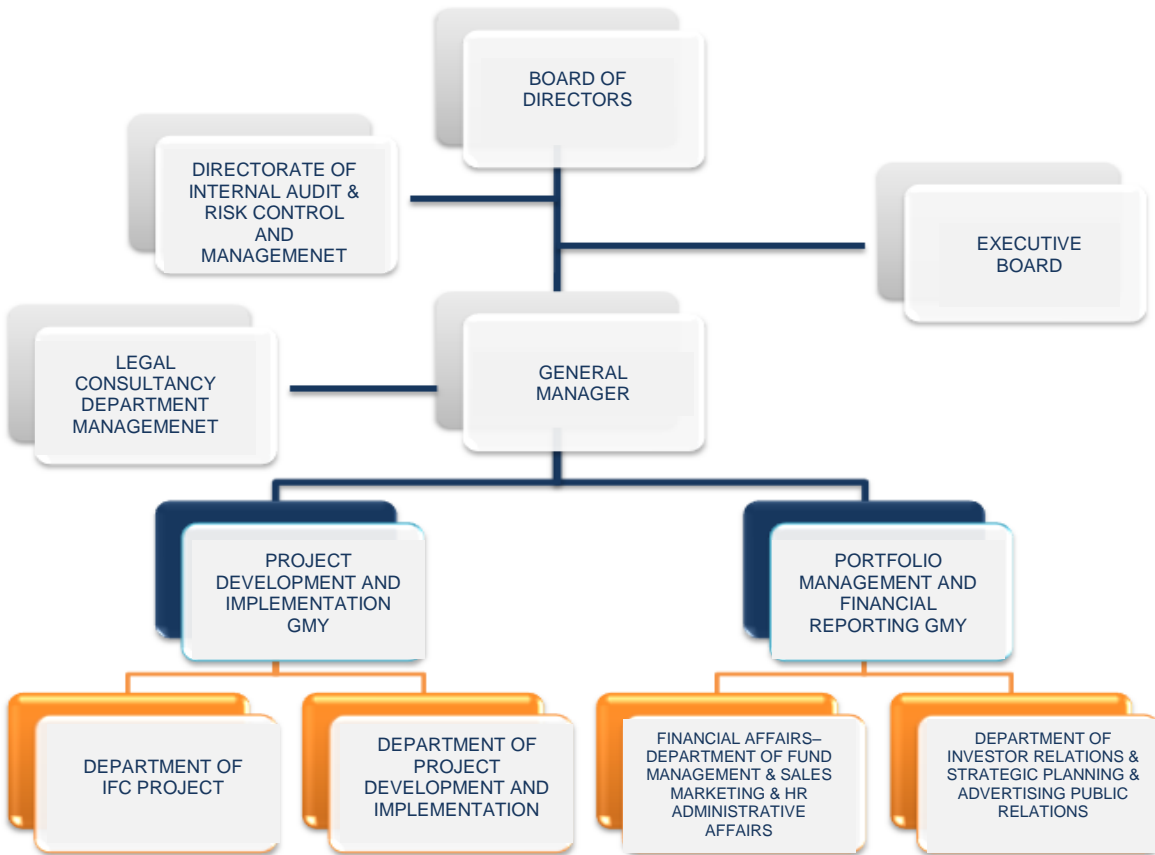
During the year, there are no complaints from Human Resources about discrimination.

Organization Structure and Employee Profile

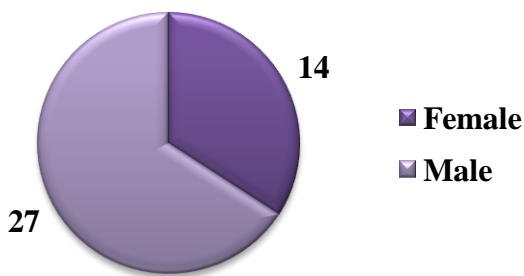
Halk GYO's activities are carried out under the structure consisting of 4 Group Presidencies within the scope of 2 Deputy General Managers affiliated to the General Directorate's office and the Directorates affiliated to Group Presidencies. Our Company's number of personnel is 40, as of 31 December 2017.

(31 December 2016: 40)

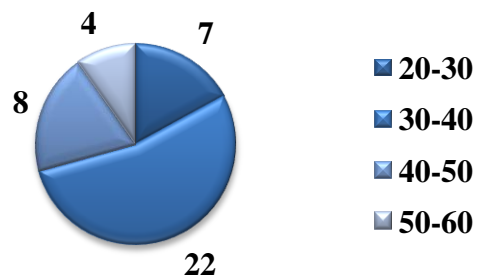
The organizational structure and employee profile of our Company are as follows:



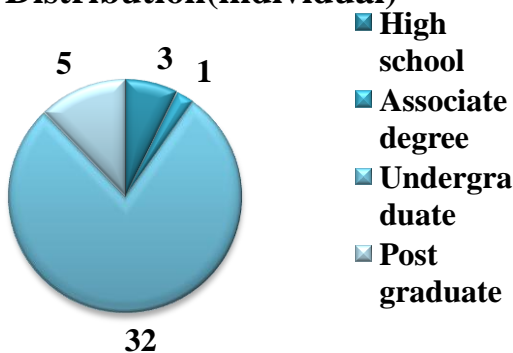
Number of employees



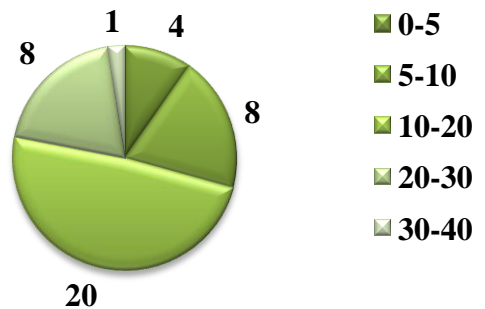
Age Distribution (individual)



Educational Distribution(individual)



Total job experience (individual)



Employees' Recognized Social Rights

Employer contributions are provided to company employees after the 2-month trial period is completed, if they are included in the Individual Pension System; corporate health insurance is provided to all employees. In addition, all employees are provided with daily food contributions and service for transportation. Apart from these, chamber subscription fees of our architect, engineer, lawyer and independent accountant and financial advisor employees are covered by the company.

Training

In the trainings planned according to the needs of employees; changes in knowledge, skills and attitudes, career advancements, increased motivation and satisfaction with the job, and matching of company targets with individual goals are aimed. Halk GYO's priority is to enable all its employees to participate in the trainings within the scope of equality of opportunity. In 2017, they participated in different trainings aiming to update their professional knowledge and develop their competencies related to Foreign Language, Financial Management, Tax, Accounting and Real Estate Technical subjects.

Election and Placement Process

Our recruitment is aimed at selecting the most suitable candidates by reaching the right target group for all positions. It is aimed to incorporate the candidates who are committed to corporate culture, believe in open communication and continuous improvement, are customer focused and result oriented.

Also, in our experienced recruitment; candidates are expected to have the training, knowledge, experience and competencies required by the position.

General Conditions of Employment

The personnel to be employed in our company should have the following qualifications;

- Being 18 years old,
- For male candidates, having completed military service or having deferred at least one year or being exempted from military service,
- Not having a health problem that prevents him from doing his/her job,
- Not being deprived of public rights,
- Not to be under any compulsory service commitment against any institution or organization,
- Not to be convicted or to be prosecuted for an infamous crime,

Candidate Recruitment

During the candidate recruitment process, the existing applications are first evaluated.

Career Planning

In promotions to a higher title, criteria such as having knowledge, experience, performance and relevant competencies, etc. required by the job description, within the waiting periods specified in the Human Resources Regulation, are taken into account.

Donations and Contributions

During the period January-December 2017, the donation transaction amounted to TL 2,600,000 has been realized. Said donation amount is provided as a contribution to the campaign for maintenance and repair works of our building of Grand National Assembly of Turkey which was damaged by the failed coup attempt on the night of July the 15th.

Research and Development Activities

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

X- IMPORTANT CHANGES FOLLOWING FISCAL PERIOD

For the marketing process for leasing and/or selling of our Halk Ofis Şekerpınar building, located in Şekerpınar region of Kocaeli Province Çayırova District, a contract has been signed with Promark Gayrimenkul Yatırım Satış ve Pazarlama A.Ş. and the contract signed with TNL Ticari Gayrimenkul A.Ş. for mentioned consulting service was mutually terminated in May 2017.

Annex 1:
Summary of Period End Appraisal report on Assets
PROJECTS
İSTANBUL FINANCIAL CENTER PROJECT

REPORT DATE	18.12.2017
REPORT NUMBER	2017-HALKGYO-32
APPRAISAL DATE	14.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	16,337.10 and 12,394.57 sq meters of lands and project located in İstanbul Province, Ümraniye District, Küçükbakkalköy Quarter, block3328, plot 4 and block 3328, plot 11.
APPRAISAL VALUE (COST)	(Excluding VAT) TL 888,120,000

İSTANBUL “BİZİMTEPE AYDOS” RESIDENTIAL PROJECT

REPORT DATE	21.12.2017
REPORT NUMBER	2017-HALKGYO-28
APPRAISAL DATE	14.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Residential project located on a plot of land of 95,221.84 m ² located on the block 8085 and plot 36 in the province of Sancaktepe, İstanbul.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 284,255,740
HALK GYO's Share	%50

ERZURUM ŞEHİRİSTAN RESIDENTIAL PROJECT

REPORT DATE	29.12.2017
REPORT NUMBER	2017-HALKGYO-15
APPRAISAL DATE	26.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	The residential project located on the registered land in Erzurum Province Yakutiye District Gez Quarter, layout 12, block 250 and plot 10.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 96,291,029
HALK GYO's Share	50%

REFERANS BAKIRKOY RESIDENTIAL PROJECT

REPORT DATE	27.12.2017
REPORT NUMBER	2017-HALKGYO-19
APPRAISAL DATE	25.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Residential + commercial project located in Istanbul Province, Bakırköy District, Osmaniye Quarter, on block 1224, plot 2 and block 1225, plot 1.
APPRAISAL VALUE (Precedent value for the independent units belonging to Halk GYO on 31.12.2017)	(Excluding VAT) TL 3,310,913

ESKİŞEHİR “PANORAMA PLUS” RESIDENTIAL PROJECT

REPORT DATE	28.12.2017
REPORT NUMBER	2017-HALKGYO-16
APPRAISAL DATE	26.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Residential project located on the land in Eskişehir Province, Odunpazarı District.
APPRAISAL VALUE (Precedent value for 16 unsold independent units in 31.12.2017)	(Excluding VAT) TL 12,689,814

BUILDINGS
ISTANBUL HALKBANK FINANCE TOWER

REPORT DATE	18.12.2017
REPORT NUMBER	2017-HALKGYO-17
APPRAISAL DATE	14.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Real estate properties of 13 workplaces, 92 offices located in Block B of the main real estate, registered construction servitude of which has been established with the qualification "Reinforced Concrete Building and its land" in İstanbul Province, Ataşehir District, Küçükbakkalköy Quarter, block 3332 and plot 24.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 209,450,640

İSTANBUL "PARK DEDEMAN LEVENT HOTEL"

REPORT DATE	18.12.2017
REPORT NUMBER	2017-HALKGYO-30
APPRAISAL DATE	12.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Real estate property with the qualification "18-storey Reinforced Concrete Hotel and its land" registered in İstanbul province Şişli District, Mecidiyeköy Quarter, block 1957, plot 6.
APPRAISAL VALUE (COST)	(Excluding VAT) TL 176,319,803

ŞEKERPINAR BULDING

REPORT DATE	25.12.2017
REPORT NUMBER	2017-HALKGYO-35
APPRAISAL DATE	21.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Real estates located in Kocaeli Province, Çayırova District, Şekerpınar land.
APPRAISAL VALUE (COST)	(Excluding VAT) TL 173,849,683

İSTANBUL SALIPAZARI BUILDING

REPORT DATE	28.12.2017
REPORT NUMBER	2017-HALKGYO-24
APPRAISAL DATE	21.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Real estate registered with 10-storey Framed Concrete Building qualification located in İstanbul Province, Beyoğlu District, Kılıçalı Quarter, layout 138, block, 57 and plot 14.
APPRAISAL VALUE (COST)	(Excluding VAT) TL 59,728,296

İSTANBUL ATAÖY BUILDING

REPORT DATE	08.12.2017
REPORT NUMBER	2017-HALKGYO-18
APPRAISAL DATE	04.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Building with basement + ground + 1 normal floor + penthouse, located in İstanbul Province, Bakırköy District, Kartaltepe Quarter on layout 51, block 115, plot 174.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 12,463,200

İSTANBUL BEYOĞLU BUILDING

REPORT DATE	21.12.2017
REPORT NUMBER	2017-HALKGYO-23
APPRAISAL DATE	14.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Office building consisting of 2 basements + ground + mezzanine + 6 normal storeys and 9 independent units located in Istanbul Province, Beyoğlu District Hüseyinağa Quarter on block 338, plot 8.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 26,473,003

İSTANBUL BEŞİKTAŞ BUILDING

REPORT DATE	15.12.2017
REPORT NUMBER	2017-HALKGYO-22
APPRAISAL DATE	13.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Masonry office building bank service building registered in Istanbul Province, Beşiktaş District, Sinanpaşa Quarter on block 291, plot 93.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 19,465,000

İSTANBUL BAKIRKÖY BUILDING

REPORT DATE	08.12.2017
REPORT NUMBER	2017-HALKGYO-20
APPRAISAL DATE	04.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	There are 2 basements + ground floor + 5 normal floor buildings in the grounds of Istanbul Province, Bakırköy District, Zeytinlik Quarter on layout 16, block 101, plot 29.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 23,548,000

İSTANBUL CADDEBOSTAN BUILDING

REPORT DATE	18.12.2017
REPORT NUMBER	2017-HALKGYO-27
APPRAISAL DATE	13.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Land share values of independent units numbered 1,2,3,4,5 in the main property registered on the land located in Istanbul Province, Kadıköy District, Erenköy Quarter, on layout 106/4, block 368, plot 25.
APPRAISAL VALUE (COST)	(Excluding VAT) TL 12,512,591

ISTANBUL ETİLER BUILDING

REPORT DATE	05.12.2017
REPORT NUMBER	2017-HAL�GYO-21
APPRAISAL DATE	30.11.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Building registered in Istanbul Province, Beşiktaş District, Bebek Quarter, block 578, plot 3.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 18,440,000

ISTANBUL FATİH BUILDING

REPORT DATE	11.12.2017
REPORT NUMBER	2017-HAL�GYO-26
APPRAISAL DATE	04.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Building with basement + ground + 4 normal storey located in Istanbul Province, Fatih District Hobyar Quarter on layout 25, block 418, plot 2.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 12,477,083

ISTANBUL KARAKÖY BULDING

REPORT DATE	08.12.2017
REPORT NUMBER	2017-HAL�GYO-25
APPRAISAL DATE	04.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	It is the real estate property with qualification of "Bank with Extensions" and with independent unit numbered 1, located in the Basement + Ground + 1 (entresol) +2. floor of "Kargir Office Building with Bank under" in Istanbul Province, Beyoğlu District, Müeyyetzade District, block 102 and plot 3.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 36,000,000

ISTANBUL NİŞANTAŞI BUILDING

REPORT DATE	06.12.2017
REPORT NUMBER	2017-HAL�GYO-29
APPRAISAL DATE	04.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Main real estate registered in Istanbul province, Şişli District, Halaskargazi Quarter, block 680, plot 14.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 9,514,000

ISTANBUL ŞİŞLİ BUILDING

REPORT DATE	11.12.2017
REPORT NUMBER	2017-HALKGYO-31
APPRAISAL DATE	07.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Masonry building qualified, with a working place under, located in Istanbul Province, Şişli District, Meşrutiyet Quarter, block 954, plot 62 with an area of 200,00 m ² .
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 16,262,529

ANKARA BAĞÇELİEVLER BUILDING 1

REPORT DATE	22.12.2017
REPORT NUMBER	2017-HALKGYO-12
APPRAISAL DATE	18.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Real estate registered in the land registry with the qualification of "2 residential units and 1 Bank Branch with independent units no 1, 2 and 6", located in Ankara Province, Merkez Çankaya District, Yukarı Bağçelievler Quarter, on block 2758, plot 29.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 9,863,250

ANKARA BAĞÇELİEVLER BUILDING 2

REPORT DATE	22.12.2017
REPORT NUMBER	2017-HALKGYO-13
APPRAISAL DATE	18.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	"Warehouse Workplace" with ground floor no 9 in Ankara Province, Çankaya District, block 2763 plot 10.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 8,100,000

ANKARA KIZILAY BUILDING

REPORT DATE	21.12.2017
REPORT NUMBER	2017-HALKGYO-10
APPRAISAL DATE	14.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Real estate registered with the qualification of "Masonry Apartment Building" in Ankara Province, Çankaya District, block 1064 plot 14. (51 independent units)
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 17,013,475

ANKARA BAŞKENT BULDING

REPORT DATE	13.12.2017
REPORT NUMBER	2017-HALKGYO-11
APPRAISAL DATE	07.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Real estate registered as "11-storey Reinforced Concrete Hotel, Office and Workplace and its land" located in Ankara Province, Çankaya District, block 1046 plot 27.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 11,854,750

İZMİR KONAK BUILDING 1

REPORT DATE	22.12.2017
REPORT NUMBER	2017-HALKGYO-33
APPRAISAL DATE	15.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	"Bank Building including Five Stores and Two Offices" registered in İzmir Province, Konak District, Akdeniz Quarter, layout 77, block 971, plot 17.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 27,156,000

İZMİR KONAK BUILDING 2

REPORT DATE	25.12.2017
REPORT NUMBER	2017-HALKGYO-34
APPRAISAL DATE	22.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Real estates numbered 1-3.5-15-16 b.b. in İzmir Province, Konak District, Akdeniz Quarter, layout 77, block 2802, plot 15.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 16,090,500

BURSA BUILDING

REPORT DATE	13.12.2017
REPORT NUMBER	2017-HALKGYO-14
APPRAISAL DATE	06.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	"7-Storey Reinforced Concrete Bank Building" registered on Bursa Province, Osmangazi District, Kayihan Quarter, layout H22D07A3B, block 4306, plot 1.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 14,400,400

KOCAELİ BUILDING

REPORT DATE	11.12.2017
REPORT NUMBER	2017-HALKGYO-39
APPRAISAL DATE	06.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	"Reinforced Concrete Bank Service Building" in Kocaeli Province, Izmit District, block 870 plot 48.
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 12,521,000

SAKARYA ADAPAZARI BUILDING

REPORT DATE	26.12.2017
REPORT NUMBER	2017-HALKGYO-37
APPRAISAL DATE	22.12.2017
DATE OF THE BASE CONTRACT	01.11.2017
SHORT DESCRIPTION OF THE APPRAISED PROPERTY	Working Places with independent units numbered 1 and 3 and bureau with independent unit numbered 23 located in the main real estate registered in Sakarya Province, Adapazarı District, block 130, plot 167 with the qualification of "Land".
APPRAISAL VALUE (PRECEDENT)	(Excluding VAT) TL 12,525,000

Annex 2:**Corporate Governance Compliance Report - 2017****1- Corporate Governance Compliance Statement**

All our Company's activities are carried out by adopting the concepts of *Equality, Transparency, Accountability and Responsibility*, which are the four main components of "Corporate Governance Principles" regulated by the legal regulations and the Capital Market Board and observes compliance with the said principles. Our Company pays strict attention to implementing the "Corporate Governance Principles" published by the Capital Market Board (CMB) and the Corporate Governance Regulations of the Turkish Commercial Code.

Our company applies to all of the Corporate Governance Principles that are obligated to be implemented and carries out the necessary studies diligently to stick to optional principles.

Optional Corporate Governance Principles are addressed under the relevant headings in the following sections. There is no conflict of interest that occurred 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 to monitor compliance with Corporate Governance Principles, to undertake improvements in this regard and to offer suggestions to the Board of Directors.

Within the scope of the evaluation of the compliance level of our Company with Corporate Governance Principles, our corporate governance rating score was determined as "92.35" by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA) within the scope of the study made in 2017. The company's scores from 4 main sections are as follows: Shareholders 94,10, Public Disclosure and Transparency 93,42, Stakeholders 94,36, Board of Directors 89,47.

The rating report prepared by SAHA is placed under the heading "Rating Notes" in the "Investor Relations" section of the Company website.

Corporate Governance 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

Halk GYO, whose 28% of shares have started to be traded in Stock Exchange Istanbul since the date of 22.2013.28, has continued to operate in accordance with the principles laid down in the Corporate Governance Principles published by the Capital Market Board.

The Company has established Investor Relations Department within the Department of Investor Relations- Strategic Planning-Advertising and Public Relations Group which operates under the Deputy General Manager of Asset Management and Financial Reporting, in order to ensure the regular and effective management of the use of shareholder rights, public disclosure and information, especially the general assembly and capital increase transactions. Department Manager is Uğur Güney, Investor Relations, Strategic Planning and Advertising & Public Relations Group Head. At the same time, Uğur Güney is a member of the Corporate Governance Committee and has licenses as stipulated by Capital Markets Board.

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

Name-Surname	Duty	Telephone	E-mail	License Information
Uğur GÜNEY	Group President	216 600 10 25	ugur.guney@halkgyo.com.tr	Advanced Level/ Corporate Governance Rating / Real Estate Valuation / Credit Rating Licenses
Serpil YÖRÜK	Director	216 600 10 33	serpil.yoruk@halkgyo.com.tr	Advanced Level/ Corporate Governance Rating / Real Estate Valuation / Derivative Instruments Licenses
M. Erhan ÇELEBİ	Assistant Specialist	216 600 10 06	mustafaerhan.celebi@halkgyo.com.tr	Advanced Level/ Corporate Governance Rating Licenses
E. Melis BULAK	Assistant Specialist	216 600 10 15	eylulmelis.bulak@halkgyo.com.tr	Advanced Level License

The Investor Relations Department principally conducts studies in order to fulfill their duties in terms of;

- ✓ 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 confidential and/or trade secret, and not disclosed to the public,
- ✓ 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 disclosure 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 REIT sector and competitor company performances, informing senior management,
- ✓ Following the sector related news, economic developments, news of competing companies and Halk GYO on daily basis,
- ✓ Participating in domestic and overseas promotion organizations (roadshow).

The Investor Relations which actively works on the communication between the shareholders and the Company, participated in all 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, legislative changes concerning investor relations activities and has also been active in the process of rating and improving corporate governance practices.

During the reporting period, over 100 inquiries from investors through individual and institutional investors via telephone and e-mail were received and answered, 18 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 personnel of Investor Relations Department or by sending an e-mail.

Information requests and inquiries from investors during the period have been responded pursuant to especially 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 are 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 (Central registry Agency) 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.

Request to appoint a special auditor has 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 request 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 always made available 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 suggestions related to the items on the agenda and to make a speech on their suggestions. There is no provision in the Articles of Association that the General Assembly should make important decisions such as dividing, selling, purchasing and renting property in significant amounts. 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 published 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 Company's Annual General Assembly meeting for the year 2016 held on June 15, 2017 has been made in the Company headquarter with 79.38% attendance, 79,36% of which in person and 0.02% electronically. 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 2016 was concurrently held on the Electronic General Meeting System provided by the Central Registry Agency (CRA), 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; 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 newspaper and the invitation letter has been sent via registered mail to the holders of registered stocks whose shares are not listed on the exchange. Beside these, "General Assembly Informative Document" was prepared to ensure that investors were informed about meeting topics in advance and proxy form sample, the agenda and the dividend distribution proposal of the Board of Directors were published on the Company website together with the invitation text. The 2016 Annual Report was made available 21 days before the meeting date at the Company's headquarters, on the address of www.kap.gov.tr and on the Company website for investors review.

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

Prior to the meeting, in accordance with Corporate Governance, 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 were allowed to raise questions and make suggestions; all questions were answered, and the suggestions were taken into consideration as well. Questions and suggestions from the shareholders participating in the meeting were registered in the 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 to shareholders' information by publishing them under the heading of "Corporate Governance-General Assembly" beneath the "Investor Relations" section of the Company website.

In the General Assembly, change of duties of the Board of Directors, capital increase and cash dividend distribution amounts and dates were also resolved in the same meeting.

The General Assembly did not meet extraordinarily during the period.

At the General Assembly held during the year, the members of the Board of Directors were allowed to make transactions within the scope of Articles 395 and 396 of Turkish Commercial Code named "prohibition of doing business with the Company, prohibition on company loans to Board Members" and "prohibition of competition". During the period, in addition to the members of the board of directors, shareholders who hold management control, managers who have administrative responsibilities and their spouses and second degree relatives by marriage, did not carry out any important transaction with partnerships or subsidiaries that may cause conflict of interest, has not entered the responsibility of an entering commercial business type in the capacity of an unrestricted partner in a partnership that has not made an operation for himself or another, or engaged in the same type of commercial business.

5-Voting Rights and Minority Rights

Of total of 820,000,000 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, 13,266,026.833 shares constitute Group A shares and 806,733,355.167 shares constitute Group B group shares.

Group A 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 Group A shareholders, and the rest will be elected among the candidates as nominated by the Group A and B 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 grant 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 to the Board of Directors 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 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 Turkish Commercial Code and Capital Markets Board regulations.

There is no company that has cross-shareholding.

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 Capital Market Board was submitted shareholders’ information and approval in General Assembly, 2016. Confirmed and revised policy was disclosed to public and published in Company Annual Report and on Company website. In the scope of revised policy, distributing dividends at least 50% of the distributable net profit for the period for each accounting year as cash dividend or bonus shares to shareholders has been taken as a principle except for 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 distribution 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 2016, the amount of TL 3,000,000 which corresponds to 9.09% of the distributable period profit of the year 2016 to be distributed in cash on 21.06.2017, and the amount of TL 30,000,000 which corresponds to 90.87% to be distributed in the form bonus share and the capital increase process started on 16.08.2017.

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 submitted for its shareholders’ information at the 2010 General Assembly.

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. It can be accessed via "Corporate Policy" section in the "Corporate Governance" section under the heading "Investor Relations" on the internet site.

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

Regarding the public announcement of future forecasts during the period, 2017 targets were mentioned in the annual report of 2016 and the explanations related to said targets were shared with public under the same heading in the annual report 2017.

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 Capital Market Board 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.

The partnership structure of the Company is updated on a quarterly basis by means of the Continuous Information Form, so as to also show the real and legal persons who have a share or voting right of 5% or more directly in the capital, within the framework of the Central Registry Agency published through Public Disclosure Platform. In accordance with the capital market legislation, financial statements and notes disclosed to the public are published both in Turkish and English on the internet site.

The Company website contains the information set forth in the Corporate Governance Principles, and the information contained in the Company's website is regularly reviewed and the compliance of the site as to form and substance under the relevant regulations is also taken into consideration.

The company website contains the "Information Society Services" section under the Regulation published by the Ministry of Customs and Trade concerning the internet sites of the capital companies. Investors can access the portal of the CRA through the Information Society Services section and can also access basic information about the Company via the link.

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

10- Annual Report

The Company's annual report is prepared within the framework of the Corporate Governance Principles, other relevant Capital Markets regulations and the relevant Regulations of the Ministry of Customs and Trade, to ensure that the public has full and accurate information about the Company's activities.

In addition to basic information about the Company's activities, attention is paid to include detailed information on board members and committees in the annual report. In this scope; resumes of the members of the board of directors, the powers and responsibilities within the Company and the duties they carry out outside the Company; whether they are involved in any transaction with the legal entity of the Company or the Company's capital market instruments in the field of the Company's main activity, whether they are involved in a debtor-creditor relationship with the Company, financial rights provided to members and independency statements of independent members; the working principles of the board of directors, the number of meetings held during the year, the attendance status of the meetings, information on the number of resolutions taken and the manner of taking resolutions; information on the structure of the committees of the board of directors, principles of operation, activities carried out during the year, meetings and resolutions, and the evaluation of the board of directors on the effectiveness of the committees are included in the annual report.

In addition, changes in legislation that could materially affect Company operations, whether there is a conflict of interest with the Company's investment advisory and rating agencies, and the measures taken to prevent conflicts of interest, information on possible consequences if there are significant cases filed against the Company during the year, information on cross-shareholding companies exceeding 5% of direct contribution to capital and the social rights and vocational training of employees are included in the activity report.

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

PART III-STAKEHOLDERS

11- Informing the Stakeholders

Our Company takes utmost care to protect the rights of all stakeholders regulated under the legislation and mutual contracts in their transactions and operations, and the rights of all the stockholders are looked out for in accordance with the "Code of Ethics" of our Company.

Stakeholders 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. Stakeholders' information, demands and questions regarding the company activities 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 stakeholders 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 83 material disclosures to inform stakeholders.

12- Stakeholders' 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

Topics such as recruitment conditions, career guidance and promotion conditions, monetary arrangements and social benefits are presented to the employees in detail in the Company Human Resources Regulation. All the decisions taken about the employees and the communication are conducted in accordance with the relevant guidelines.

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 can use and develop their skills, professional development and abilities,
- To provide adequate fees and other additional benefits suitable for the market and the conditions of the day,
- To give importance to the personality of the personnel, to respect the protection of the material and moral rights,
- To have personnel that embraces the corporate culture and corporate values and is in compliance with Ethical Principles,
- To ensure that they work cost conscious, depending on the principles of efficiency and profitability of the staff,

14- Ethical Principles and Social Responsibility

The Ethical Principles, which were created in 2010 and got 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" include detailed information under the main titles of conflicts of interest, information flow regulatory rules, relationships with customers and suppliers and human resources, and principles that Halk GYO A.Ş. employees should abide in performing their duties and regulations on working order. The purpose of these principles is to prevent any dispute and conflict of interest between the employees, shareholders, customers and the institution. These contradictory attitudes and behaviors are assessed in accordance with the Discipline Directive and employees are expected to act according to the rules of common sense and goodwill in the circumstances and conditions that are not covered by these rules.

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

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

In our company vision, it is important to provide benefits in the field of modern urbanization, to build environmentally sensitive constructions and to take part in the activities that will support the sector and to be a pioneer as much as to evaluate investments in the best way.

Our company real estate projects are produced with environment-friendly, carbon-free materials, and LEED certified. In addition, during the year, our Company has also maintained to support the development of the sector as a sponsor of many sectoral organizations and conferences.

PART IV - BOARD OF DIRECTORS

15- Structure and, Formation of Board of Directors and Independent Members

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 Capital Market Board Corporate Governance Principles. The Board of Directors consists of a total of 6 members; 1 executive member and 5 non-executive members 3 of which are independent. In 2017, there was no situation that abolished the independence of the Independent Board Members. While there are no female members in our Board of Directors as of report date, Board of Directors does not either have a policy that determines the target rate and time of female members, provided that the rate of female members is not less than twenty five percent. However, there are no regulations that prevent our partners from electing a female member of the Board of Directors.

BOARD OF DIRECTORS								
Name-Surname	Duty	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	Election Date /	Status
RECEP SÜLEYMAN	CHAIRMAN OF THE	BANKER	-	TÜRKİYE HALK BANKASI A.Ş.	-	-	June 2017-	Non-executive

BOARD OF DIRECTORS								
Name-Surname	Duty	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 (%)	Repre sented Share Group	Election Date /	Status
ÖZDİL	BOARD			CHAIRMAN OF THE BOARD				Member / Not an Independent Member
YÜKSEL GÖRGEÇ	VICE CHAIRMAN	BANKER	BOARD MEMBER		-	-	June 2017-	Independent Member
YUNUS KARAN	BOARD MEMBER	BANKER	INDEPENDENT BOARD MEMBER	TÜRKİYE HALK BANKASI A.Ş. INDEPENDENT BOARD MEMBER	-	-	June 2017-	Non-executive Member / Not an Independent Member
YAHYA BAYRAKTAR	BOARD MEMBER	BANKER	BOARD MEMBER	TÜRKİYE HALK BANKASI A.Ş. BOARD MEMBER	-	-	June 2017-	Independent Member
MEHMET NİHAT ÖMEROĞLU	BOARD MEMBER	BANKER	-	TÜRKİYE HALK BANKASI A.Ş. INDEPENDENT BOARD MEMBER BOARD MEMBER	-	-	June 2017-	Independent Member
DR. FEYZULLAH YETGİN	BOARD MEMBER GENERAL MANAGER	BANKER	-	-	-	-	June 2017-	Executive member Not an Independent Member

Within the framework of Corporate Governance Principles, a Nomination Committee has not been established in the Company and the Corporate Governance Committee fulfills the duties of the committee in question. The Corporate Governance Committee submits reports on whether candidates meet the criteria for independency, to the Board of Directors.

Declarations of independence of independent members were included in the annual report of the end of 2017.

The members of the Board of Directors are not restricted to take other duties outside the company and the provisions of the Turkish Commercial Code regarding the prohibition of competition are complied with. In 2017, there has been no violation of the Company's transactions and prohibition of competition 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 Vice Chairman. Each member of the Board of Directors may apply in writing to the Chairman or Vice Chairman of the Board and request the board to be called to the meeting. If the Chairman or the Vice Chairman does not still call a meeting, the members shall also have the authority to call a meeting on their own initiative.

If none of the members call a meeting, board resolutions may also be taken by getting written approval of the majority of the total number of members to the offer that is written in the form of a decision made by a member of the board in a particular matter. In order for the decision to be made in this way to be valid, the same proposal must be made to all board members. 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 papers bearing approval signatures to the minute book of the board of directors or to convert them into a decision containing the signatures of the acceptors and register them in the minute book.

Each member has one vote at the meetings. Voting rights are used personally. Unless a member requests a meeting, resolution can also be taken by written notification of approval of the other members to a member's offer.

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 34 times during the period and 68 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 made throughout the year were held with the participation of all members of the Board of Directors. All resolutions of the Board of Directors are taken unanimously. None of the resolutions taken at the meetings were casted a dissenting vote. 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 weighted voting right 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 unanimously by the positive votes of independent board members as well.

During the period, the insurance required for the compensation of losses in the Company caused by board members due to their faults during their duties, has been arranged by our principal shareholder, T. Halk Bankası A.Ş. so as to cover the Bank and its subsidiaries.

17-Number, Structure and Independence of the Committees Established in the Board of Directors

A Corporate Governance Committee, an Audit Committee, a Remuneration Committee and an Early Detection of Risk Committee have been established within 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.

Working principles for each of the committees have been established and announced to the public. The committees operate within the framework of these principles. During the year, in accordance with the Corporate Governance Communiqué of the Capital Markets Board; following the general assembly meeting, task distributions and committee elections were held within the board of directors and announced to the public.

While members of the committee are elected, they are acting within the framework of corporate governance principles.

The information about committees is provided below.

Committee	President	Independence Status	Member	Independence Status
Audit Committee	Yüksel GÖRGEÇ	Independent	Yahya BAYRAKTAR	Independent
Corporate Governance Committee	Yahya BAYRAKTAR	Independent	Yunus KARAN Uğur GÜNEY	Not Independent Not Independent-executive
Remuneration Committee	M. Nihat ÖMEROĞLU	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 1 executive and 5 non-executive members and 3 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 5 meetings and took 5 decisions.

Corresponding its duties as indicated in its working 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 independent audit company and reviewing all other aspects of the independent auditors' activities. During the year, Committee assembled for 9 meetings and took 5 decisions.

In accordance with Capital Markets Board's 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 year, Committee assembled for 6 meetings and took 6 decisions.

The Remuneration Committee identifies and monitors the principles, criteria and practices to be used in remuneration of the members of the Board of Directors and managers who have administrative responsibilities, taking into account the Company's long-term goals. This Committee presents 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. During the year, Committee assembled for 1 meetings and took 1 decisions.

The Board's Assessment Report on the work of the committees within the period was included under heading 1 of the 2017 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 & Risk Control and Risk Management". By considering the opinion of the relevant Board of Directors committees, the Board of Directors generates the Company's internal control systems, including information systems and processes as well as risk management systems, which ensure to minimize the impact of risks that have the potential to affect the Company's stakeholders, particularly its shareholders. The effectiveness of the risk

management and internal control systems are reviewed at least once per each year. Internal Audit actions are conducted within the framework of approved “Annual Audit Plan” by Audit Committee. Internal control systems are formed in order to review, check, monitor, assess and report the fitness, adequacy and effectiveness of Company’s activities, as well as their controls.

The information of inter-corporate controls and internal audit’s existence, process and effectiveness are also presented in the annual reports. A periodic assessment report, a statement of compliance and follow up of the portfolio restrictions, and a monthly statement of liquidity rate are drawn up by the “Department of Internal Audit and Risk Control”, and these are submitted simultaneously to the Audit Committee, Corporate Governance Committee, Early Detection of Risk Committee, the senior management and to the Board. Thus, in respect of the management of the relevant risks, it is aimed by the senior management and by the Board of the Company to take the necessary actions and to develop control systems.

Halk GYO provides a wide portfolio range within the real estate industry as an investment strategy, and they steer for the estate where they earn regular rental income and put efforts to minimize the risk for their investors in respect of choosing the real estate. All real estate contained in the Company’s portfolio is insured against any and all damages.

19- 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 with weighted average cost of capital model.

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, 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.

Remunerations to be paid to the members of the Board of Directors are determined by the decision of the General Assembly in line with the proposal of the Remuneration Committee. The members of the Board of Directors have not been granted the rights to provide financial benefits such as daily allowance, premiums and bonuses except for the payments determined in the general assembly. 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.

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. Remunerations to be paid to the executives are determined by the decision of the Board of Directors in line with the proposal of the Remuneration Committee.

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 and no conflict of interest arising from this cause has occurred 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 executives and all other benefits provided are announced to the public through quarterly Annual Report and financial reports. However, the explanation made is not person-based. Total financial rights provided by the Company to the board of directors and senior executives are TL 1,246,448.