



2018 ANNUAL REPORT



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



MESSAGE OF THE CHAIRMAN

Dear Shareholders,

One of the main indicators of economic growth in developed economies is the positive performance of the real estate sector. This sector is one of the most important areas where savings turn to investments, and contributes, as long as production continues, to many fields of activity that supply the sector. The real estate sector performed strongly in Turkish economy, which has grown significantly in the last 15 years, and served as an important source of employment as well as producing projects that added value to the country.

Changes that took place in finance markets within the last year created a need for companies active in this sector to review their short and medium term plans. The New Economy Program, which was structured around the concepts of balancing, discipline and change, has provided the sector with a comprehensive road map. Despite the cost increases that took place in the second half of the year, and fluctuations in the exchange rate, campaigns developed in cooperation with financial institutions kept the domestic demand remain strong, allowing house sales to catch up with the past year.

As Halk GYO, we kept our stable growth and reached an equity size of 2.3 billion Turkish liras to help spread capital ownership, support widespread use of real estate backed financial products, and increase our contribution to the national economy.

Our first and foremost goal is to create added value for the national economy and grow the assets of our shareholders, remaining faithful to our principles of transparency, fairness and accountability.

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 2019 will be a year full of achievements for our country, our industry and our company.

*Sincerely,
Dr. Ahmet YARIZ
Chairman of the Board*

Our first and foremost goal is to create added value for the national economy and grow the assets of our shareholders, remaining faithful to our principles of transparency, fairness and accountability.



Dr. Ahmet YARIZ
Chairman of the Board



MESSAGE OF THE GENERAL MANAGER

Dear Stakeholders,

We have successfully left behind another year in which we have continued our investments and started new projects with the goal of contributing to and creating added value for our country and sector. In 2018, which was a year in which we felt the effects of the changes in world economy on our country as well, we continued our investments in line with our goals, and supported initiatives and campaigns that will contribute to our sector and overall economic growth.

A strong coordination was observed between public, financial and real sectors in this year, and campaigns that were run with the slogans “Stronger Together, Turkey Will Win” and “Time For Gains in Turkey,” in which we have participated as Halk GYO, regulations regarding house purchases by foreign nationals and the granting of citizenship to foreign nationals, and policies such as reductions in title deed fees and the VAT made history as successful examples of cooperation between the public and private sectors to advance the national economy. In this period, the number of houses sold to foreign nationals, in particular, has increase by 78.4 percent compared to last year. These data showed one more time that when well-designed projects are implemented, the real estate sector, which is one the drivers of growth in Turkish economy, continues to add value to our country.

As one of the major brands in the sector, we have participated in the 29th MIPIM Real Estate Fair in 2018. Throughout the fair, we have publicized Istanbul International Financial Center Project, which is a mega project of Turkey currently under construction. In the fair, where Turkey, Istanbul in particular, attracted a lot attention with its cultural and touristic attractions, we were proud and happy to display the strength of the Turkish real estate sector.

Dear Shareholders,

Since our foundation in 2010, our philosophy in our exemplary projects has always been “the right project, in the right location” as the leader of the Turkish real estate sector. As an extension of this philosophy, we have initiated award winning projects that made the news, and made significant progress in our ongoing projects. As we increased our investments all around Turkey, we have felt the joy of making a direct contribution to regional economies, and continue to feel the same joy.

Within 2018, we have completed Şehristan Konutları housing project in Yakutiye in central Erzurum, which is a landmark project in the city, and Bizimtepe Aydos project right next to the Aydos Forest in Istanbul’s Sancaktepe, and started to deliver the keys to house owners. We have undertaken construction work in Istanbul International Financial Center project, which was initiated to make Istabul a regional and global finance center, and the construction completion rate of “Halk Towers,” which consists of two office towers, 34 stories and 46 stories high, and three 8-story commercial buildings, was around 28%.

In this period, we have also tried to serve the ideal of a stronger Turkey with the partnerships we have established, with the idea that there is strength in unity. With a vision to develop an innovative project that behooves İzmir’s urban life, we have initiated Evora İzmir project in Alsancak with the assurance of Emlak Konut GYO and in partnership with Teknik Yapı. We have completed another important phase of this project, and as we initiated the solicitation process, we were awarded the “Best Architectural Design” award of SOTCA (Sign of the City Awards) in 2018. With this mixed project, which will contain different functions such as housing, commercial, park, culture, and tourism spaces, we have added important value to beautiful İzmir.

Dear Stakeholders,

As Halk GYO, in addition to the visionary projects and real economy based financial products we have developed, we have continued last year to create value for our stakeholders with our commercial property-heavy portfolio focused on generating high rental income. We have grown the commercial property-heavy portfolio of our young company, which was founded in 2010, five-folds to 2.4 billion Turkish liras. As of the end of 2018, the total gross revenues of our company was 319 million Turkish liras, and we increase our net profits by 56.5 percent compared to the same period of the last year, to 395 million Turkish liras. In the same period, our asset size reached 2.6 billion Turkish liras, while our equity capital reached 2.3 billion Turkish liras.

As Halk GYO, we owe these successes to our customers, investors, employees, and our main shareholder T. Halk Bankası A.Ş., which lent its strength and support to our company, and above all, to Turkey. We would like to express our deepest gratitude and respect to all our stakeholders who trusted our company and stood by us.

Sincerely,

Dr. Feyzullah YETGİN
General Manager and Board Member



COMPANY PROFILE

About the Company

Founded in 2010 as an affiliate of Türkiye Halk Bankası A.Ş., with a non-cash capital of TRY 466 million and total capital of TRY 477 million, Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (Halk GYO) is a company that invests in real estate, real estate projects, real estate backed securities 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.

Headquarters Address	Serifali Çiftligi Tatlısu Mahallesi Ertugrulgazi Sokak No:1 34774 Yukarı Dudullu Ümraniye/İSTANBUL
Phone Number	+90 216 600 10 00
Fax Number	+90 216 594 53 72
Website	www.halkgyo.com.tr
Trade Registry 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... 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...

2010 - 2011

October 2010

Foundation

April 2011

Beyoğlu building added the portfolio, developed and sold with a profit of TRY 18.5 Million in September 2011

September 2011

Bakırköy land added to the portfolio

December 2011

Purchase of Halkbank Finance Tower building which was in project phase

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

2012

January 2012

Eskişehir land added to the portfolio

February 2012

Tender of Bakırköy land with minimum net guarantee of TRY 90.5 million

April 2012

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

September 2012

Participation of Kocaeli Şekerpınar 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 TRY 250 million via public offering

April 2013

Start of Eskişehir Panorama Plus Residential Project

August 2013

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

December 2013

By the sale of our Karşıyaka building with a value of TRY 18 million, obtaining a profit of about TRY 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 Şekerpınar 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 TRY 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 Salıpazarı 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

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 first corporate bond in the amount of TRY 100 million

November 2017

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

December 2017

"Türkiye'nin ilk GYO Sukuk ihracının gerçekleştirilmesi"

2018

March 2018

Signing an agreement with Buga Otis Asansör Sanayi ve Ticaret A.Ş. as part of service provision for IIFC Halk Towers project's vertical transportation (elevator and escalator)

June 2018

Commissioning of Salıpazarı Hotel Building

July 2018

Confirmation 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

September 2018

Obtaining the building permits and starting presales for the 451 independent units of "Evora İzmir" project initiated by Teknik Yapı and Halk GYO Ordinary Partnership

September 2018

Obtaining building permits for another 321 independent units of Evora İzmir project

November 2018

Corporate Governance Rating of our company, which was previously 9.24, was increased to 9.27 after a review

BOARD OF DIRECTORS



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 7 members, 2 of which are independent. One of its members is executive and the other 6 of them are non-executive.

Name-Surname	Duty	Membership Start Date	Duty Selection Date
Ahmet YARIZ	Chairman	06.09.2018	06.09.2018
Selahattin SÜLEYMANOĞLU	Deputy Chairman	09.07.2018	09.07.2018
Yüksel GÖRGEÇ	Independent Member	14.05.2012	26.04.2018
Mehmet Nihat ÖMEROĞLU	Independent Member	15.06.2017	26.04.2018
Hakan ÖZYOL	Member	13.02.2018	26.04.2018
Mehmet TANRIVERDİ	Member	06.09.2018	06.09.2018
Dr. Feyzullah YETGİN	General Manager	18.07.2016	26.04.2018



Ahmet YARIZ - Chairman of the Board

Ahmet Yariz was born in Elazığ in 1966. He has graduated from the Faculty of Management of Istanbul University. He has received his master's and PhD degrees from the Department of Banking at Marmara University's Institute of Banking and Insurance. Yariz's banking career started in Sinaî Yatırım ve Kredi Bankası A.O., and he worked in industrial businesses and financial institutions. He has served as a Board Member responsible for Risk Management and Internal Control at T. Vakıflar Bankası T.A.O, and as a Board Member at Savings Deposit Insurance of Turkey. Yariz served as a Board Member for T. Halk Bankası A.Ş. between April 2008 and March 2016, and he has been selected to serve as a Board Member one more time for T. Halk Bankası A.Ş. from August 13, 2018 onwards, a position which he currently holds. Yariz has also been serving as the Chairman of the Board of Directors of Halk GYO A.Ş. since September 6, 2018. He is married and has three children.



Selahattin SÜLEYMANOĞLU - Deputy Chairman of the Board

Selahattin Süleymanoğlu was born in 1962 in Giresun. He has graduated from the Department of Management at Gazi University's Faculty of Economics and Administrative Sciences. He has received his master's degree from the Department of International Relations at Selçuk University's Institute of Social Sciences. His professional career started as an Assistant Inspector at Adabank A.Ş., and continued as Inspector, Manager, and Regional Chief Manager at T. Emlak Bankası A.Ş. from 1991 to 2001. He started to work for Türkiye Halk Bankası A.Ş. as a Branch Manager in 2001. From 2007 onward, Süleymanoğlu served in Deputy General Manager positions responsible for Risk Monitoring and Control, Risk Management and Internal Control, and Operations at Halkbank A.Ş., and since June 18, 2017, he has been serving as Deputy General Manager responsible for Human Resources and Support Services at Halkbank. Süleymanoğlu was appointed as a Board Member in July 2018, and also serves as the Deputy Chairman of the Board.



Yüksel GÖRGEÇ - Independent Board Member

Yüksel Görgeç was born in Osmaniye / Çorum in 1960. He graduated from Ankara University, Faculty of Political Sciences, Department of Economics - Finance. He started his career as an Assistant Inspector at Töbank. He served as Inspector, Branch and Unit Manager at the same bank. Then, he served in the positions of Head of the Committee of Inspection, Branch Manager and Department 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. Since May 14, 2012, Görgeç is also an independent member of the Board of Directors of Halk GYO A.Ş.



Mehmet Nihat ÖMEROĞLU - Independent Board Member

Mehmet Nihat Ömeroğlu 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. Ömeroğlu has been serving as an Independent Board Member of Türkiye Halk Bankası A.Ş. since June 8, 2017, and since June 15, 2017, he is also a independent member of the Board of Directors of Halk GYO A.Ş.

Hakan ÖZYOL - Board Member

Hakan Özyol was born in Sakarya in 1978. He completed his primary, secondary and college education in Sakarya, and after graduating from Sakarya University, he received his MBA degree from Atılım University. He started his professional career in 2000 as a bank clerk at T. Halk Bankası A.Ş. Özyol started serving as a Branch Manager in 2010 and served as a Regional Marketing Manager, and has been serving as a Consultant to the General Manager since August 2017, and as the Head of the Department of Human Resources since January 2018 at T. Halk Bankası A.Ş. Özyol has been appointed as a Board Member of Halk GYO A.Ş. in February 2018.

**Mehmet TANRIVERDİ - Board Member**

Mehmet Tanrıverdi was born in 1979 in Giresun. He graduated from the Department of Economics at Istanbul University's Faculty of Political Sciences. He started his professional career in 2004 as an Assistant Inspector at Türkiye Halk Bankası A.Ş. He served as an Inspector, Senior Inspector and Department Manager at the same bank. Since 2017, he has been serving as the Head of the Department of Support and Construction at T. Halk Bankası A.Ş. On September 6, 2018, he was appointed as a Board Member of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

**Dr. Feyzullah YETGİN - Board Member – General Manager**

Feyzullah Yetgin was born in Istanbul in 1970. 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. After receiving his PhD degree in 2002 with a dissertation titled "Performance Evaluation and Turkey Application of Real Estate Investment Trusts" from the Department of Banking at Marmara University's Institute of Banking and Insurance, Yetgin received the title of associate professor of finance, in 2012. He started his professional career at Kale Kimya A.Ş. in 1989, served as a manager in different leasing companies, and served as General Manager and Board Member in Emlak Konut GYO A.Ş., an affiliate of T.R. Prime Ministry TOKİ, between 2003 and 2009. Lastly, Yetgin served as General Manager and Board Member at Çalık Emlak ve Gayrimenkul Yatırımları A.Ş. between 2010 and 2016, and has been serving as the General Manager of Halk GYO A.Ş. since July 18, 2016. In addition to his professional career, Yetgin continued his academic studies, and taught "Mortgage and Securitization" from 2004 to 2010 at Kadir Has University's master's program in Finance and Banking and "Real Estate-Backed Financial Instruments" at the same university's MBA program in Real Estate in 2015 and 2016. He has published numerous articles in academic journals, authored a book titled Mortgage Sistemi: Türkiye (Teori - Uygulama) [Mortgage System: Turkey (Theory - Application)] and co-authored books on Real Estate Valuation. Dr. Feyzullah Yetgin served as a Vice President responsible for Education and Publications at GYODER (The Association of Real Estate and Real Estate Companies), and following the Regular General Assembly in 2017, he assumed the Presidency of GYODER. Since June 15, 2017, he has been serving as a Board Member for 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. 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. During the accounting period January-December 2018, there has been no violation of the Company's transactions and prohibition of competition regarding the members of the Board of Directors.

BOARD OF DIRECTORS MEETINGS

32 board meetings were held during January-December 2018 accounting period, and 58 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.

26.04.2018
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.

26.04.2018
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. Rules of procedure for the committees can be accessed by following this link: <http://www.halkgyo.com.tr/investor-relations/corporate-governance/committees>

In the period 01.01.2018-12.31.2018, the Corporate Governance Committee, Audit Committee, Committee for Early Detection of Risk, and Remuneration Committee conducted their affairs in an effective and efficient manner, in compliance with relevant legislation and rules of procedure.

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

Corresponding its 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 period, Committee assembled 8 meetings and took 4 decisions.

Committee for Early Detection of Risk ; in accordance with the CMB rules and regulations of corporate governance, the Committee for Early Detection of Risk has been established to early detect the threatening risks upon Company's existence, development and survival, to take the necessary provisions for identified risks, to manage the risks pursuant to Article 378 of TCC and to supervise the risk management systems. During the period, Committee assembled 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 2 meetings and took 2 decisions.

The committees and assignment of duties in such committees are as follows:

MEMBERS OF THE AUDIT COMMITTEE

Name and Surname	Duty
Yüksel GÖRGEÇ	Chairman - Independent Board Member
M. Nihat ÖMEROĞLU	Member-Independent Board Member

MEMBERS OF CORPORATE GOVERNANCE COMMITTEE

Name and Surname	Duty
M. Nihat ÖMEROĞLU	Chairman - Independent Board Member
Selahattin SÜLEYMANOĞLU	Member - Deputy Chairman of the Board
Uğur GÜNEY	Member - Corporate Communication and Investor Relations Director

MEMBERS OF COMMITTEE FOR EARLY DETECTION OF RISK

Name and Surname	Duty
Yüksel GÖRGEÇ	Chairman - Independent Board Member
M. Nihat ÖMEROĞLU	Member - Independent Board Member

REMUNERATION COMMITTEE

Name and Surname	Duty
M. Nihat ÖMEROĞLU	Chairman - Independent Board Member
Hakan ÖZYOL	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 8 meetings in accordance with the topics mentioned above and took 4 decisions so as to submit them to the Board of Directors.

Corporate Governance Committee; 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 4 meetings in accordance with the topics mentioned above and prepared 4 reports so as to submit them to the Board of Directors.

Committee for Early Detection of Risk; during the period, this committee 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 2017 Ordinary General Assembly and was approved.

Saygılarımızla,
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.
Yönetim Kurulu

SENIOR MANAGEMENT

Name and Surname	Duty	Profession
Dr. Feyzullah YETGİN	General Manager and Board Member	Director
Erdal BEKİN	Deputy General Manager for Project Application and Development	Construction Engineer
Yaşar GÖKTAŞ	Deputy General Manager for Financial Planning and Management	Banker
Uğur GÜNEY	Corporate Communication and Investor Relations Director	Banker
Harun ŞAHİN	Internal Audit & Risk and Compliance Director	Banker

Payments to Board of Directors and Senior Management

Company's senior management consists of Board Members, General Manager and Deputy General Managers. 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 TRY 1,434,490. (January 1- December 31 2017: TRY 1,246,448)

Changes in the Board of Directors and Executives

Upon the resignation of the Board Member Öznur Ozar on February 14, 2018, Hakan Özyol was appointed as a Board Member.

As per the Board of Directors decision dated May 21, 2018,

-Erdal Bekin, who served as Group Head for Project Development and Implementation, was appointed as Deputy General Manager for "Project Development and Implementation," and

-Yaşar Göktaş, who served as Deputy Group Head for Financial Affairs & Sales and Marketing & HR and Administrative affairs, was appointed as Deputy General Manager for "Financial Management and Planning."

Upon the resignation of Recep Süleyman Özdil as Chairman of the Board on July 9, 2018, Selahattin Süleymanoğlu was appointed as a Board Member, to be presented for approval in the first General Meeting to be held. The Board of Directors decision made on the same date has appointed Selahattin Süleymanoğlu as the Deputy Chairman of the Board, and Yahya Bayraktar, who had been serving as the Deputy Chairman of the Board, as the Chairman of the Board.

Upon the resignations of Chairman of the Board Yahya Bayraktar and Board Member Yunus Karan on September 6, 2018, Ahmet Yarız and Mehmet Tanrıverdi were appointed as Board members, to be presented for approval in the first General Meeting to be held. The Board of Directors decision made on the same data has appointed Ahmet Yarız, who became a Board Member, as the Chairman of the Board.



CAPITAL OF THE COMPANY AND SHAREHOLDING STRUCTURE

The capital information and shareholding structure of our Company as of 31st December 2018 is as follows.

CAPITAL DETAILS

Issued Capital TRY 858,000,000
Registered Capital TRY 1,500,000,000

	Group	31.12.2018		31.12.2017	
		Share Rate %	Share Amount TRY	Share Rate %	Share Amount TRY
Türkiye Halk Bankası A.Ş.	A	1,58	13.557.019,176	1,58	12.956.591,734
Türkiye Halk Bankası A.Ş.	B	70,38	603.879.347,433	70,38	577.134.085,072
Halk Yatırım A.Ş.	A	0,04	323.773,463	0,04	309.433,865
Halk Finansal Kiralama A.Ş.	A	<0,01	1,291	<0,01	1,234
Publicly Held Portion*	B	28,00	240.239.858,637	28,00	229.599.888,095
Capital Receipts		100,00	858.000.000,000	100,00	820.000.000,000

*As of 31.12.2018; Türkiye Halk Bankası A.Ş. has 63,186,301.834 nominal shares; and Halk GYO has 24,188,878.626 nominal shares in the publicly held portion.

In order to increase the issued capital of the Company to TRY 477,000,000 provided to be within TRY 1,500,000,000 in the registered capital, to TRY 662,500,000 in TRY, Group B shares with the nominal value of TRY 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

No	Completion Date	Source	Ratio	Former Capital	New Capital	Net profit Cash (dividends) payments
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 Turkish liras
4	15.06.2015	Bonus Shares from 2014 year profit	%6,4622	697.900.000 TL	743.000.000 TL	5.9 million Turkish liras
5	27.05.2016	Bonus Shares from 2015 year profit	%6,3257	743.000.000 TL	790.000.000 TL	5.4 million Turkish liras
6	18.08.2017	Bonus Shares from 2016 year profit	%3,7975	790.000.000 TL	820.000.000 TL	3.0 million Turkish liras
7	22.06.2018	Bonus shares from 2017 year profit	%4,6341	820.000.000 TL	858.000.000 TL	3.8 million Turkish liras

The total share of 858,000,000 shares with a nominal value per share of TRY 1 are composed of 13,880,793.930 Group A shares and 844,119,206.070 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 TRY 1 par value per share, of Halk Sigorta A.Ş. and Halk Hayat ve Emeklilik A.Ş. were transferred on August 29, 2014, with all rights and interest thereon, to our main shareholder Türkiye Halk Bankası A.Ş. at the closing price of the shares at the Stock Exchange on the date of signing of the share purchase/sale agreement.

SHAREHOLDERS HOLDING MORE THAN 5% OF THE CAPITAL

The details of shareholders who have more than 5 percent of the capital as of 31st December 2018 are provided below:

Shareholder	Share
Türkiye Halk Bankası A.Ş.	% 79,33
<i>Ratio of Non-public Shares to Total Capital</i>	<i>% 71,96</i>
<i>Ratio Of Publicly Traded Shares To Total Capital</i>	<i>% 7,36*</i>

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





EVALUATION OF THE PERIOD FROM JANUARY 1, 2018 TO DECEMBER 31, 2018

Issuance of major Communiqués, Amendments to the Regulations, and Capital Markets Board Announcements

— Communique III-48.1 Amending the Communique on Principles Concerning Real Estate Investment Trusts went into effect after publication in the Official Gazette issue no 30643, dated January 2, 2019.

— Communique III-52.3.ç Amending the Communique on Principles Concerning Real Estate Investment Funds went into effect after publication in the Official Gazette issue no 30631, dated December 20, 2018.

— CMB Decision 2/49 dated 01.10.2019, published in the CMB Bulletin issue no 2019/2 dated 01.10.2019, now requires that Corporate Governance Compliance Reporting, done as per Corporate Governance Communique II-17.1, be submitted using the Corporate Governance Compliance Report (CGCR) and Corporate Governance Information Form (CGIF) templates on the Public Disclosure Platform KAP.

In this context;

1. CGCR template shall be used to report on compliance with voluntary principles2. Mevcut kurumsal yönetim uygulamaları hakkında bilgi vermek üzere KYBF
2. and CGIF template shall be used to provide information on existing corporate governance practices, and these shall be reported via the Public Disclosure Platform (KAP) during the financial report submission period, and at any rate, at least three weeks prior to the general meeting; companies shall have discretion as to whether or not to include these templates in their annual reports as well.

— Communique on the Management of Information Systems and Communique on the Independent Audit of Information Systems were published in the Official Gazette issue no 30292, dated January 5, 2018, and went into effect on their date of publication.

ECONOMIC AND SECTORAL DEVELOPMENTS

World Economy

Important economic and political developments that were on the agenda in 2018 were the Federal Reserve Bank of America (FED) making the fourth interest rate increase of the year in December 2018, Trump's criticism of FED for increasing interest rates, European Central Bank ending the asset purchase program it has been implementing as of the end of December 2018, Bank of Japan and Bank of England keeping their interest rates constant throughout the year, the United States extending its sanctions against Russia and Iran, US plans to impose customs duties on Chinese products going into effect and subsequent US-China and US-EU trade reprisals, North Korea and South Korea's decision to stop nuclear testing to ensure peace in the Korean peninsula, US decision to leave the nuclear agreement signed with Iran and P5+1 countries, US recognition of Jerusalem as the capital of Israel and protests in Gaza, the crisis of espionage between Britain and Russia, upheavals in Armenia following the resignation of Prime Minister Sarkisyan, US having its highest foreign trade deficit in a decade following the global appreciation of the US dollar, Qatar's announcement that it will leave OPEC, USMCA Agreement signed between USA, Mexico and Canada, the deepening crisis between Canada and China, EU-Japan trade agreement -which had been under negotiation for four years- going into effect, demonstrations against the economic crisis in Iran, protests in France by the so-called yellow vests, the UK Parliament's decision to set the date of leaving the European Union as March 2019, the Syrian civil war, the issue of refugees affecting many countries and developments in Idlib, the US decision to withdraw from Syria, developments in Venezuela, the 73rd meeting of the UN General Assembly, and the G-20 Summit held in Argentina.

Another development followed by global markets were the fluctuations in the price of oil, which reached its highest level in 4 years in October with \$85/barrel following the decline in Iran's exports as a result of OPEC's decision to increase production by 1 million barrels a day, trade wars, and the sanctions, which then declined to \$50/barrel after the increase in US production, rising tensions at the global level and OPEC not implementing a production cut, and increased to \$62/barrel following disruptions to production in Libya and OPEC's decision to cut production by 1.2 million barrels a day.

In the third quarter of 2018, the US economy showed its best performance since the third quarter of 2014, recording a growth rate of 3.4 percent compared to the same quarter of the previous

year, supported by personal consumption expenditures. Inflation rate has reached 2.9 percent in June, but in December, it has recorded its lowest performance since August 2017, falling to 1.9 percent, below the target rate of 2 percent, due to the decline in fuel prices. Unemployment rate rose to 4 percent in January 2019, following a decline to 3.7 percent in September, its lowest level since 1969. FED increased its interest rate by 50 basis points in the meeting held in March, and increased the funding rate by 25 basis points in each of June, September and December, first to 1.75-2.00%, then to 2.00-2.25% and finally to 2.25-2.50%. At the December meeting, the focus in the market was not on the expected rate hike, but rather on whether there would be any changes in the forecasts for the pace of tightening in 2019. FED officials met the projections for 2018 with 4 hikes, and the projected number of hikes in 2019 has declined from 3 to 2. As expected, FED did not change the rates in its last meeting in January 2019, and emphasized in its message that they would be patient in increasing interest rates.

According to the first estimates, the Eurozone grew by 1.2 percent in the last quarter of 2018 compared to the same quarter of the previous year, and closed 2018 with 1.8 percent growth, its weakest level since 2014. The rate of unemployment, which was 8.6 per cent in January, declined to 7.9 per cent in December, bringing it to its lowest level since October 2008. While the inflation rate decreased to 1.2% in April due to the decline in the services sector, the Eurozone has managed to increase the annual inflation rate to 2.2% in October with the increase in energy prices, which then declined to 1.4% in 2019 when the energy prices decreased one more time. The European Central Bank (ECB), which has identified preventing a deflation as its most important goal, did not make any changes in interest rates and asset purchases during the meetings held in the first half of 2018, and announced following its June meeting that it has decided to decrease net asset purchases in the October-December period to 15 billion Euros, and end the program as of December 2018. As expected, it did not change the interest rates in the meetings held in the rest of the year, with policy rate remaining as zero, the deposit rate remaining as minus 0.40% and the marginal funding rate remaining as 0.25 %. As announced, the Bank ended its asset purchase program in December, and repeated that the rates would not change until the summer of 2019 at the earliest. As expected, the Bank did not change any of the rates in its meeting held in January 2019.

The IMF, in its April revision of the World Economic Outlook published in January, said that the global economy, which expanded by 3.7 percent in 2017 thanks to the increase in investments and trade volumes, recording its fastest growth rate in the last 6 years, will continue to grow this year as well. The IMF, which kept its 2018 and 2019 projections for global growth at 3.9 percent, listed supportive financial conditions, market confidence and expansionary fiscal policies of US as factors accelerating growth. In its July revision, the IMF maintained its GDP growth forecasts for 2018 and 2019 as 3.9 percent, lowered the 2018 GDP growth forecast for developed economies by 0.1 percentage points to 2.4 percent, and kept its growth forecast for 2019 at 1.9 percent. In its October revision, on the other hand, the IMF announced that it lowered its global growth forecasts for 2018 and 2019 from 3.9 percent to 3.7 percent, emphasizing that downside risks to the global economy have increased in the last 6 months due to tariffs, political uncertainties and capital outflows from emerging markets. In its latest report published in January 2019, the IMF observed that trade tensions continued to be the main risk factor for global economic growth, and revised down its global growth forecast for 2019 by 0.2 points to 3.5 percent, and 2020 forecast by 0.1 points to 3.6 percent. The report also stated that for developed economies, the 2019 economic growth forecast was revised down by 0.1 percentage points to 2 percent, and 2020 forecast was kept constant at 1.7 percent, whereas for developing economies, 2019 growth forecast was revised down by 0.2 percentage points to 4.5 percent, and 2020 forecast was kept constant at 4.9 percent.

In its "Interim Economic Outlook Report" published in March, the OECD raised its global growth forecast for 2018 and 2019 to 3.9%, and pointed to the new tax cuts and spending increases in the United States and additional financial incentives in Germany as the main factors behind the upward revision in its global growth forecast. In the same report, OECD predicted that the Eurozone would grow by 2.3 percent in 2018 and 2.1 percent in 2019, whereas the US would grow by 2.9 percent in 2018 and 2.8 percent in 2019. In its "Global Economic Outlook" report published in May, the OECD predicted that the global economy would grow by 3.8 percent in 2018 and 3.9 percent in 2019, identifying higher oil prices, increase in asset prices and debt levels, volatility in emerging markets, and Brexit as the main risks. In its September revision, the organization warned that the downside risks are intensifying, revising down its 2018 growth forecast for the global economy from 3.8 percent to 3.7 percent, and the 2019 forecast from 3.9 percent to 3.7 percent. Finally, in the second "Economic Outlook Report" report published in November, the OECD said that the world economy seemed

ready for a "soft landing", keeping its 2018 growth forecast at 3.7 percent, consistent with the interim report in published in September, and reducing the 2019 growth forecast by 0.2 percentage points to 3.5 percent. The organization announced that its 2020 growth forecast for world economy was 3.5 percent.

The World Bank, in the January 2018 issue of its biannual "Global Economic Prospects Report", revised its growth expectations upward in the context of accelerating recovery, stating that it expected the world 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. In its June report, the organization forecasted that the world economy would grow 3.1 percent this year, similar to the previous year, and forecasted a growth of 3 percent and 2.9 percent for next year and 2020, respectively, pointing out that with the weakening in investments and trade volumes, which had been increasing since 2016, financial conditions would continue to tighten, suppressing growth in the future. according to its last report in January 2019, the organization revised down its global growth forecast for end of 2018 from 3.1 percent to 3 percent, and from 3 percent to 2.9 percent for 2019. The report stated that the global growth forecast for 2020 was revised down from 2.9 percent to 2.8 percent, and global growth for 2021 was expected to be 2.8 percent. Observing that global trade activity has slowed down, global trade tensions intensified, and some large developing economies faced significant market pressures, the report stated that developed economies are expected to grow by 2.2 percent by the end of 2018, and by 2 percent in 2019.

Turkish Economy

Important items on the economic and political agenda in Turkey included global markets, fluctuations in exchange rates, steps taken by the Central Bank of Turkey against the rising inflation and currency rates using interest rates and BRSA measures that followed later, ratings updates by the international credit rating agencies, Syrian refugees and the approval of the € 3 million aid package that was promised following negotiations with the EU about the issue, the current account, which had a surplus in August for the first time in 3 years, continuing to have a surplus in the rest of the year, mutual decisions to impose sanctions with the US and their subsequent removal, support and precautionary measures taken by the government in their wake, cross-border operations into Syria and Iraq, the ongoing fight against terrorism, termination of the emergency rule that was announced following the treacherous coup attempt of 2016, the Olive Branch operation carried out by the Turkish Armed Forces (TSK) in Afrin to root out terrorism, presidential and parliamentary elections and the new system and cabinet that were announced shortly thereafter, the setting of the date of local elections as 31 March 2019 and the following developments, the New Economic Plan (NEP) that was announced, steps by the government to support house sales and subsidies supporting investments, the fight against inflation, and the rapid increase and recent decline in the interest rates.

Using the chained volume index (2009 = 100), Turkish economy closed 2017 with a growth rate of 7.4 percent compared to the previous year, grew by 7.4 percent in the first quarter of 2018 compared to the same quarter of last year, by 5.2 percent in the second quarter, and by 1.6 percent in the

third quarter. Despite the increase in public investments, declines in construction and service sectors were the main factors behind the slowdown in growth.

The rate of unemployment, which was as low as 9.6 percent in April, was 11.6 percent in October. In January 2019, the consumer price index for the year 2018 was announced as 20.35 percent, and the producer price index as 32.93 percent. The highest monthly and yearly increases were observed in the food and non-alcoholic beverages group, with 6.43 percent and 30.97 percent respectively. In its January issue of the Monthly Price Developments report, the Central Bank of the Republic of Turkey (TCMB) emphasized that discounts in electricity, natural gas and water prices in the energy group helped suppress the increasing inflation, and the yearly inflation has increased as a result of the strong increase in fresh fruits and vegetables in the food group.

TCMB did not make any changes in interest rates in its January and March meetings, but in its April meeting the CBT announced that it decided to implement modest monetary tightening in order to support price stability, and increased the late liquidity window (LLW) lending rate by 75 basis points from 12.75 percent to 13.50 percent. In its May meeting, the Bank raised the LLP from 13.50 percent to 16.50 percent by pointing to the rise in exchange rates, and in its June meeting, stating that its firm position would continue until the inflation outlook improves, increased the policy rate from 16.50 percent to 17.75 percent, the late liquidity window lending rate from 19.50 percent to 20.75 percent, also increasing the interest corridor by 125 basis points, from 15 percent to 16.25 percent in the case of overnight borrowing rate, and from 18 percent to 19.25 percent

in the case of overnight lending rate. In its latest meeting held in July, on the other hand, the Bank did not make any changes, contrary to expectations, stating that recent indicators pointed to a trend for balancing in economic activity. In its September meeting, the Bank increased its policy rate by 6.25 percentage points to 24 percent, stating that additional monetary tightening can be implemented as necessary by closely monitoring the changes in inflation expectations, pricing behavior, delayed effects of monetary policy decisions, the contribution of fiscal policy to the process of balancing, and other factors that might affect inflation. The Bank did not change its rates in October and December 2018 and January 2019 either, repeating that additional monetary tightening may be implemented as necessary.

Foreign trade deficit in December declined by 71.1 percent to 2 billion 674 million dollars compared to the same month of the previous year. In the same period, exports increased by 0.2 percent annually while imports decreased by 28.3 percent. In August, there was a current account surplus, for the first time in three years, of 2.6 billion US dollars, and the surplus continued until November.

In its February report prepared for G-20 countries, Moody's, which had set Turkey's rating as Ba1 and outlook as "negative" following the developments of July 2016, stating its opinion that the government would continue to take fiscal measures to keep the economic growth high prior to the presidential elections in November 2019, revised its 2018 growth forecast for Turkey to 4.0 percent from 3.2 percent, and the 2019 growth forecast to 3.5 percent from 3.3 percent.

In its March announcement, the organization decreased Turkey's credit rating from "Ba1" to Ba2" and changed the outlook from "negative" to "stable," arguing that high debt levels and political risks have worsened the ongoing loss of resilience on the part of institutions and the risk of an external debt shock, and in May, it revised its growth forecasts announced in "Global Macro Outlook: 2018-2019" report, decreasing the growth forecast for 2018 to 2.5 percent from 4 percent, and the growth forecast for 2019 to 2 percent from 3.5 percent. The report noted that there were many downward risks concerning growth in Turkey, and the country remained highly dependent on external sources in the short term. In August, Moody's decreased Turkey's credit rating from "Ba2" to "Ba3" and revised the outlook from "stable" to "negative," arguing that an increase in external funding risks, the tightening of financial conditions, and the weakening of the local currency may cause the inflation rate to increase and the growth rate to decrease. Finally, in its November report, Moody's stated that Turkey faced increasing institutional challenges and policy uncertainty, and predicted that Turkish economy would grow by 1.5 percent in 2018 and contract by 2 percent in 2019.

On January 27, 2017, the international credit rating agency Fitch Ratings (Fitch) lowered its credit rating for Turkey to "BB +" and set its outlook as "stable", pointing out that Lira's depreciation and oil prices could push inflation rate to double digits; in its "Global Economic Outlook" report published in March, the agency announced that it expected Turkish economy, which recorded strong growth in 2017 thanks to the stimulation package, would grow more slowly in 2018, but growth would recover in 2019, and their growth forecast was 4.1 percent for 2018 and 4.7 percent for 2019. In its "Global Economic Outlook" report published in June,

the agency stated that it expected Turkish economy to grow by 4.5 percent by the end of 2018, 3.6 percent by the end of 2019, and 4.8 percent in 2020, arguing that the foreign exchange pressure lately observed in Turkey and the increases in interest rates could have a negative effect on domestic demand. Following this report, in July, it decreased Turkey's credit rating from "BB+" to "BB" and changed the outlook from "stable" to "negative," emphasizing that the jump in inflation and the increase in the current account deficit have strengthened the downward risks on macro-economic stability. In its revised report published in September, following the sanctions decisions, the agency revised down its growth forecasts for Turkish economy to 3.8 percent in 2018, 1.2 percent in 2019, and 3.9 percent in 2020. In its November report, Fitch has decreased its 2018 growth forecast for Turkish economy to 3.5 percent from 3.8 percent, and in December decreased its 2019 forecast to 0.6 percent from 1.2 percent, and its 2020 forecast to 3.1 percent from 3.9 percent. The report cited high inflation and a long-term trend of low growth to explain the downward revisions.

On May 2, Standard&Poor's (S&P), another international credit rating agency, lowered Turkey's foreign currency credit rating from "BB" to "BB-", and local currency credit rating from "BB+" to "BB," setting the outlook as "stable". In its Turkey report published in December, the agency predicted that the national economy would contract in 2019, and would record a modest growth rate of around 3- 4 percent in 2020.

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		OECD		NEP	
	2018	2019	2018	2019	2018	2019	2018	2019
Growth	3,5	1,6	3,5	0,4	3,3	-0,4	3,8	2,3
Inflation	10,4	19,0	15,0	16,7	16,8	19,5	20,8	15,9
Unemployment	-	-	11,0	12,3	10,8	12,7	11,3	12,1
Current Balance / GDP	-5,7	-5,6	-5,7	-1,4	-5,3	-2,9	-4,7	-3,3

Developments in the Sector

The construction sector has contracted by 5.3 percent in the third quarter of 2018. The sector continued to be among the sectors that provided the most employment in general. In addition to ongoing campaigns in the sector, the "100 Day Action Plan," the so-called Zoning Forbearance regulations, mandatory use of Turkish lira in rents, and the Real Estate Exchange planned to be established were among the developments closely followed by the sector.

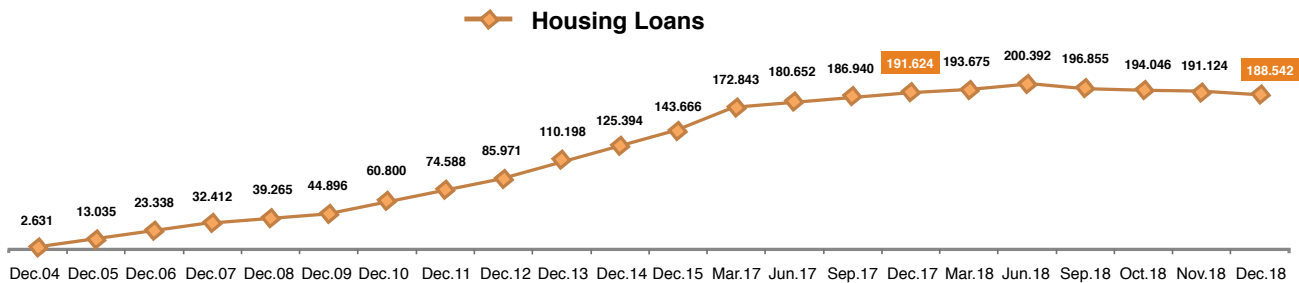
The Construction Revenue Index, an important indicator for the sector, declined by 1.1 percent in November compared to the same month of the previous year.

In the January-September period of 2018, surface area of buildings which got Construction Permits decreased by 55.1 percent. The total area of the buildings is 105.9 million sqm; of which 54.9 million sqm were residential, 31.3 million sqm were non-residential and 19.6 million sqm were common usage areas.

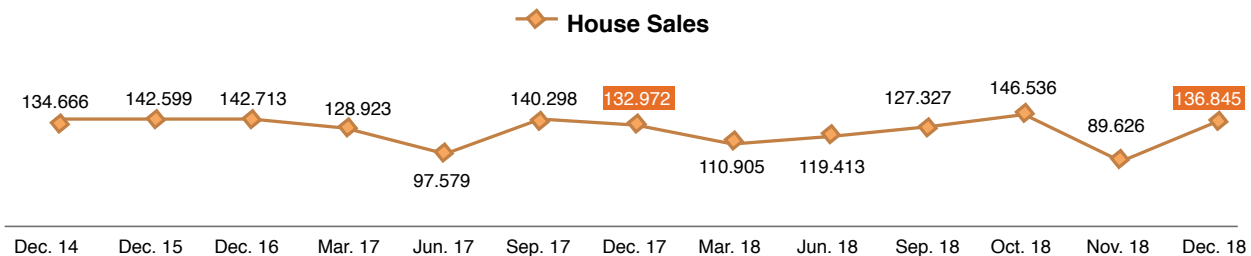
The area of buildings for which Occupancy Permits were given has increased by 1.6 percent in the period January-September 2018. The total area of the buildings is 115.5 million sqm; of which 66.9 million sqm were residential, 25.9 million sqm were non-residential and 22.7 million sqm were common usage areas.

The monthly interests rates for housing loans, which had increased to an average of 1.20 percent in March 2018, has declined to around 1.12 percent in May 2018 following the 0.98 percent interest rate campaign run by public banks to support the sector, and increased to 2.32 percent by the end of December. (Source:Reidin)

The volume of housing loans reached 188 billion Turkish liras at the end of December, and its share in total loans was at 7.66 percent.



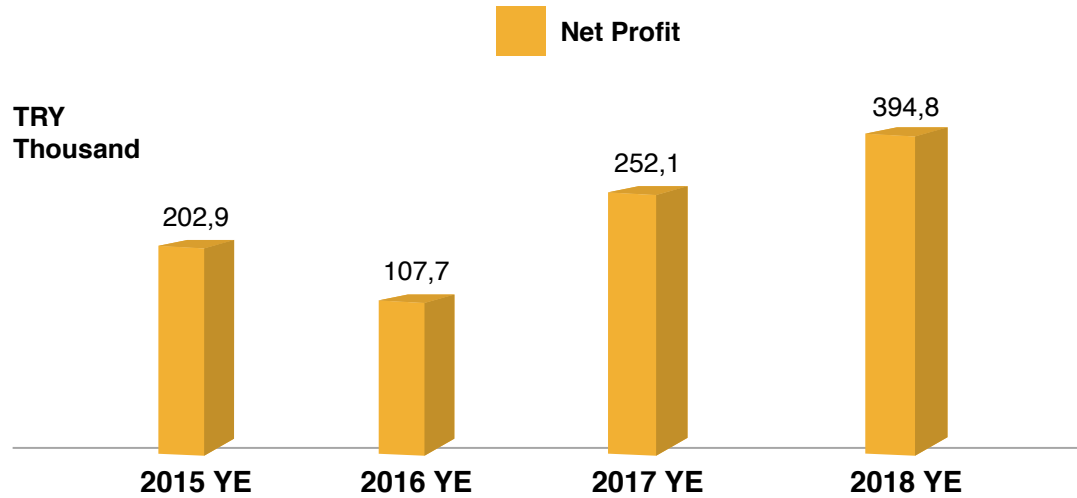
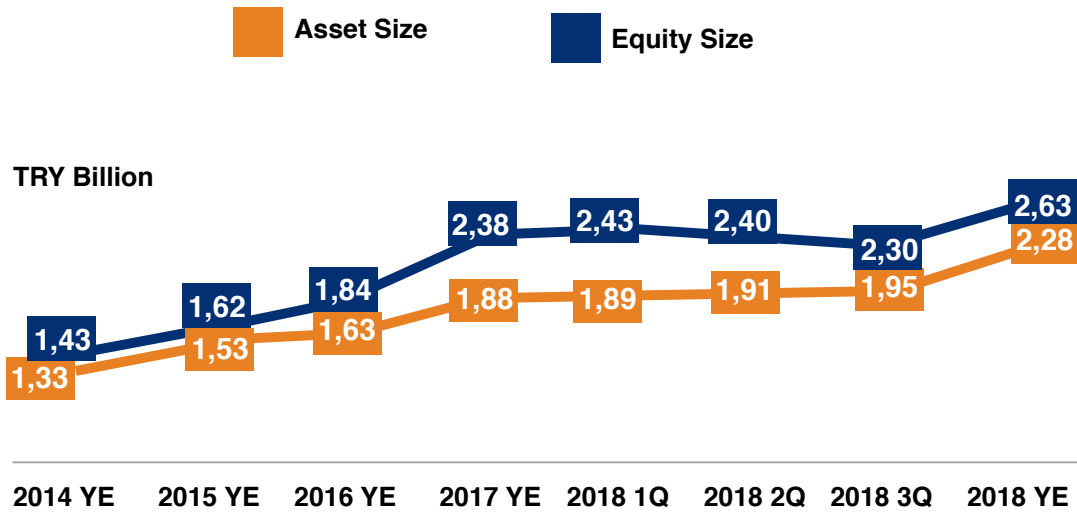
In Turkey, house sales in December showed a 2.9 percent decrease compared to the same month of the previous year and reached 136,845 units. In 2018, a total of 1,375,398 houses were sold. The number of houses sold to foreign nationals within the year has increased by 78.4 percent compared to the previous year.



The Housing Price Index was 275.50 as of November. Unit prices, which are calculated as housing value per square meter, were TRY 2,315.17 /sqm in November 2018.

Financial Performance

Income Statement Data (TRY)	01 Jan - 31 Dec 2018	01 Jan - 31 Dec 2017
Total Revenue	319,158,974	82,240,682
- Income from sale of residences	252,924,725	23,934,707
- Rent Income	61,000,045	51,029,060
- Financial Income	5,234,204	7,276,915
Cost of Sales	(203,170,190)	(15,812,566)
- Cost of residence sales	(196,897,381)	(13,036,019)
- Other Costs	(6,272,809)	(2,776,547)
Gross Profit	115,988,784	66,428,116
General Administrative Expenses	(12,811,718)	(11,584,483)
Sales - Marketing Expenses	(4,671,801)	(3,421,687)
Other Income from Main Activities	6,316,561	2,932,688
Other Expenses on Main Activities	(1,861,940)	(4,426,514)
Operating Profit	102,959,886	49,928,120
Value Increment of Investment Property	306,881,143	207,300,100
Operating Income Before Financing Expenses	409,841,029	257,228,220
Financial Expenses	(15,039,947)	(5,119,449)
Period Income before Tax	394,801,082	252,108,771
Net Profit for the Period	394,801,082	252,108,771
Balance Sheet Data (TRY)	31 December 2018	31 December 2017
Assets	2,626,879,485	2,376,933,740
Equity	2,275,075,016	1,879,401,652
Total Financial Debt	314,624,202	226,914,420
Basic Ratios	31 December 2018	31 December 2017
Financial Debt/Equity	13.8%	12.0%
Equity/Total Assets	86.6%	79.1%
Return on Average Asset	15.8%	11.9%
Return on Average Equity	19.0%	14.4%





2018 Realizations & 2019 Targets

At the end of the year, our Company posted a net profit of TRY 395 million, a shareholder equity of TRY 2.3 billion and an asset size of TRY 2.6 TRY billion, with the contribution of existing houses and the increase in the value of investment properties. Our company's return on average equity realized as 19.00% and return on average asset realized as 15.78% while it was estimated as 11%.

Our main income items are rent income, residence sales revenue and financial income. The total gross revenue of our company has been realized as TRY 319.2 million by the end of 2018 and the real estate size is close to TRY 2.4 billion with the last precedent values. Having 21 office and 2 hotel buildings and 5 projects with regular rent income in the portfolio, our Company's rental income has increased by 19.6% compared to the end of last year and reached TRY 61 million.

Throughout 2018, our company continued its investments and other work within the framework of strategic portfolio management. In Eskişehir Panorama Plus and Referans Bakırköy projects, which have small numbers of unsold independent units, sales of independent units are underway, and in Bizimtepe Aydos residential project, which was initiated in partnership with Vakıf GYO in November 2015, a total of 773 houses sold as of the end of the year. The project, which has 1,037 residential units and 44 commercial units and reached a sales level of 71.5%, started delivering units to new owners in May. In "Şehristan Konutları" Project, which has been initiated in May 2016 in partnership with Er Konut İnşaat A.Ş., an affiliate of Erzurum Metropolitan Municipality, a sales level of 63% has been reached as of the end of the year. The project contains 632 residential and 13 commercial units, and a total of 409 independent units have been sold. Project deliveries have started as of May.

Marketing process is underway for the "Halk Ofis Şekerpınar" building of "Şekerpınar Project," the construction process of which was completed in 2015 and Block A of which was rented for 10 years in the same year.

Our Salıpazarı building, which was used as an office building and bank branch, was transformed into a hotel in 2018, and as envisaged, the hotel was opened as of June 2018.

Construction work for 34 and 46-story office towers and three 8-story commercial building, which are part of the Istanbul International Financial Center project and whose contractors were selected and construction was initiated at the end of 2016, continued throughout 2018, and a construction completion rate of around 28% has been reached.

In 2018, construction and sales work has started, as envisaged, for the Evora İzmir project in İzmir Konak Alsancak, which was included in our portfolio at the end of 2017 in partnership with Teknik Yapı A.Ş. Within this year, the project was awarded the "Best Architectural Design" award by Sing of the City.

We anticipate that the Company will achieve an ROaA (return on average asset) around 12% in 2019, 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,
Board of Directors





COMPANY ACTIVITIES FROM JANUARY 1, 2018 TO DECEMBER 31, 2018

Portfolio Activities

Work regarding the Company's portfolio and activities during the January-December 2018 interim fiscal period was as follows:

For the marketing process for leasing and/or selling of our Halk Ofis Şekerpınar building, located in Şekerpınar region of Kocaeli Province Çayirova 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 ended in May 2017. The agreement signed with Promark Gayrimenkul Yatırım Satış ve Pazarlama A.Ş. has also come to an end within this period.

The 235.50 sqm lot 15 in block 57 of layout 138, owned by our main shareholder T. Halk Bankası A.Ş. and adjacent to our "Salıpazarı Hotel Project" in Kılıçlı Paşa neighborhood of Beyoğlu district of Istanbul was purchased for TRY 4,885,000 in the e-tender organized by T. Halk Bankası A.Ş.

An agreement has been signed with Buga Otis Asansör Sanayi ve Ticaret A.Ş. for vertical transport work of Halk Towers, which is to be built by our company as part of

the Istanbul International Financial Center project, and a financial leasing contract was signed with Halk Finansal Kiralama A.Ş. to finance the purchase of this service.

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 April 1, 2018, for the monthly rent of TRY 1,350,000 + VAT.

Regarding the Evora İzmir project, which was tendered by Emlak Konut GYO A.Ş. and construction work for which is to be carried out by Teknik Yapı - Halk GYO partnership on 2 lots in İzmir Konak Alsancak, construction permits have been obtained for Lots 1 and 2, which are to have 451 and 321 independent units, respectively, and the process of solicitation for the project has begun.

End of year evaluation processes for the properties in company portfolio have been completed.

Financial Structure Activities

Outstanding Capital Market Instruments

Type	Amount Issued		Date of Issue	Date of Redemption	Interest/Return Rate (%)	Type of Issue
	Amount	Currency				
Lease Certificate (Backed by Management Agreement) (TRDHVKA41922)	170,000,000	TRY	12.19.2018	04.16.2019	Period Return / 7.6295% Annual Simple Return / 23.60%	Qualified Investor
Lease Certificate (Backed by Management Agreement) (TRDHVKA51921)	80,000,000	TRY	01.22.2019	05.21.2019	Period Return / 7.3356% Annual Simple Return / 22.50%	Qualified Investor

Redeemed Capital Market Instruments

Type	Amount Issued		Date of Issue	Date of Redemption	Interest/Return Rate (%)	Type of Issue
	Amount	Currency				
Bond (TRFHLGY31810)	100,000,000	TRY	03.30.2018	09.19.2018	Annual Simple / 14.10% Annual Compound / 14.62%	Qualified Investor
Bond (TRFHLGY91814)	80,000,000	TRY	09.19.2018	12.21.2018	Annual Simple / 14.85% Annual Compound / 15.43%	Qualified Investor
Bond (TRFHLGY91813)	50,000,000	TRY	09.19.2018	21.12.2018	Annual Simple / 28.50% Annual Compound / 31.67%	Qualified Investor
Lease Certificate (Backed by Management Agreement) (TRDHVKA31816)	100,000,000	TRY	12.19.2017	03.16.2018	Period Return / 3.1582% Annual Simple Return / 13.25%	Qualified Investor
Lease Certificate (Backed by Management Agreement) (TRDHVKA61821)	100,000,000	TRY	03.16.2018	06.20.2018	Period Return / 3.5244% Annual Simple Return / 13.40%	Qualified Investor
Lease Certificate (Backed by Management Agreement) (TRDHVKA61839)	25,000,000	TRY	03.23.2018	06.20.2018	Period Return / 3.2674% Annual Simple Return / 13.40%	Qualified Investor
Lease Certificate (Backed by Management Agreement) (TRDHVKA91810)	125,000,000	TRY	06.20.2018	09.19.2018	Period Return / 4.2384% Annual Simple Return / 17.00%	Qualified Investor
Lease Certificate (Backed by Management Agreement) (TRDHVKA1831)	125,00,000	TRY	09.19.2018	12.19.2018	Period Return / 6.7315% Annual Simple Return / 27.00%	Qualified Investor
Lease Certificate (Backed by Management Agreement) (TRDHVKA11925)	75,000,000	TRY	10.12.2018	01.22.2019	Period Return / 7.6850% Annual Simple Return / 27.50%	Qualified Investor

Unsold Capital Market Instruments for which Issue Limits have been Obtained

Type	Issue Limit and the Board Decision Concerning the Limit	Sales Within the Limit	
		Amount	Currency
Bond	TRY 1,000,000,000 September 4, 2018 / 41-1017	50,000,000	TRY
Lease Certificate (Backed by Management Agreement)	TRY 1,500,000,000 November 23, 2018 / 58-1825	250,000,000	TRY

Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., which provides services for the process of rating our company's strong equity structure and credibility, classified our company as "investment worthy" category after its review conducted on July 23, 2018, and confirmed our Long Term National Rating (TR) as AA-, Short Term national Rating (TR) as A1+, and their outlooks as "Stable".

Activities Regarding General Assembly, Capital Increase And Articles Of Association

With the decision of our Board of Directors dated April 3, 2018, the Ordinary General Assembly Meeting of our Company for 2017 activity year has been held on April 26, 2018 at 14:30, Thursday, with 79.45% attendance rate, at the headquarters of the Company, under the supervision of the Ministry Representative commissioned with the letter 33876650 of Istanbul Regional Directorate of Customs and Trade dated April 25, 2018.

The related General Assembly resolutions were registered on May 11, 2018 and published in the Trade Registry Gazette dated May 17, 2018 and numbered 9580.

At the General Assembly;

-The decision of the Board of Directors regarding the dividend payments for the year 2017 was approved, and the cash dividend amount of TRY 3,800,000 was distributed to our shareholders on April 30, 2018.

- In accordance with the resolution of the Board of Directors dated April 26, 2018, a decision was made to apply for capital increase to the Capital Markets Board, and an application was made for capital increase to the Capital Markets Board on May 21, 2018 for distribution of bonus shares with the value of TRY 38,000,000. 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 June 7, 2018 and numbered 25-707 and bonus capital increase transactions have started as of June 20, 2018.

- The Company's Articles of Association containing the new capital information was registered on June 21, 2018 and published in the Turkish Trade Registry Gazette issue no 9608, dated June 27, 2018.

Corporate Governance Activities

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.

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, which was as "92.35" in 2017, was confirmed as "92.74". The company's corporate governance ratings from 4

main sections are as follows: Shareholders 94.71, Public Disclosure and Transparency 93.93, Stakeholders 94.36, Board of Directors 89.80.

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 "BIST Corporate Governance Index" with the corporate governance rating it received.

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 following:

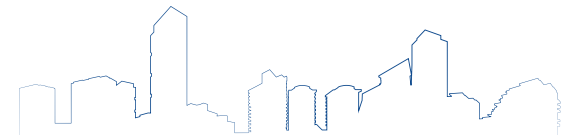
- Our leasing operations and the income, expense and receivables calculation within this scope,
- Taking out loans, mortgage and collateral transactions, financial leasing, lease certificate issuance and financial intermediation within the scope of continuing commercial activities,
- Services and banking services received within the scope of insurance and business administration operations;
- Other good and service purchases.

Renting out our properties is an important part of our company's activities, and the rental income we have obtained within 2018 from relevant parties was TRY 40,667,124. As of December 31, 2018, we have holding TRY 28.761.594 of cash or cash equivalents in our accounts at Türkiye Halk Bankası A.Ş. Our company has a financial debt valued at TRY 29,986,226 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 2018 are provided in the footnote no. 4 titled "Statements on Related Parties" of our independent audit report for the period January 1, 2018 to December 31, 2018.

The conclusion section of the Affiliation Report, prepared as per Article 199 of the Turkish Code of Commerce law no. 6102, which went into effect on July 1, 2012, states the following:

"All the transactions performed in 2018 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 01.01.2018-31.12.2018

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

	December 31. 2018
Banks	
Halk Bank A.Ş. (Demand deposit)	629,156
Halk Bank A.Ş. (Time deposit)	28,121,306
Halk Bank A.Ş. (Pos account)	11,132
Total	28,761,594
Other Receivables from Related Parties	
Halk Bank A.Ş.	627
Total	627
Prepaid expenses	
Halk Sigorta A.Ş.	294,318
Halk Hayat ve Emeklilik A.Ş.	4,111
Capitalization of expenses on investment properties	
Halk Bank A.Ş.	4,885,000
Halk Finansal Kiralama A.Ş.	33,456,558
Halk Varlık Kiralama A.Ş.	23,757,071
Halk Yatırım A.Ş.	365,000
Loan Contributions to Related Parties	
Halk Bank A.Ş.	134,066
Total	62,896,124
Financial borrowings	
Halk Bank A.Ş. – Short term	25,955,799
Halk Bank A.Ş. – Long term	4,030,427
Halk Finansal Kiralama A.Ş. – Short Term	11,405,834
Halk Finansal Kiralama A.Ş. – Long term	12,593,519
Halk Varlık Yönetim A.Ş.	250,839,562
Total	304,825,141
Trade payables to related parties	
Halk Sigorta A.Ş.	74,537
Halk Bank A.Ş.	4,541
Total	416,723

Revenues from Related Parties

	12.31.2018
Rent income	
Halk Bank A.Ş.	40,607,422
Halk Hayat ve Emeklilik A.Ş.	59,702
Total	40,667,124
Interest income	
Halk Bank A.Ş. Time Deposit Interest Rate	5,440,630
Total	5,440,630

14% of the Company's revenues in the interim period ended on December 31, 2018 consists of income from related parties.

Related Party Expenses

	12.31.2018
Expenses	
Insurance expenses paid to related parties	
Halk Sigorta A.Ş.	(1,358,380)
Halk Hayat ve Emeklilik A.Ş.	(16,971)
Interest and premium expenses paid to related parties	
Halk Bank A.Ş.	(5,969,724)
Halk Varlık Yönetim A.Ş.	(969,107)
Halk Finansal Kiralama A.Ş.	(5,352,871)
Operating expenses paid to related parties	
Halk Bank A.Ş.	(256,188)
Total	(13,923,241)



1.1 TRANSACTIONS WITH THE DOMINANT COMPANY

1.1.1 Incomes

a) Rent Income

Our company has leased 18 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 Capital Markets Board Communiqué III-48.1 on Principles Concerning Real Estate Investment Trusts and rent increases were made by using annual PPI + CPI / 2 ratio. The total rental income during the year is TRY 40,607,422. 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 income

On the transactions conducted with Türkiye Halk Bankası A.Ş., TRY 5,440,630 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

Şirketimizin Türkiye Halk Bankası A.Ş.'den kullanmış olduğu kredisi için 2018 yılında 5.969.724.-TL faiz gideri oluşmuştur. Bu işlemlerde hakim şirkete veya bağlı şirketine herhangi bir mali menfaat sağlanmamış ve Şirketimizin zararı söz konusu olmamıştır.

b) Bank Transactions Expenses

Due to the transactions made by our Company with Türkiye Halk Bankası A.Ş., operating expense amounting to TRY 256,188 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 TRY 134,066 as loan contribution payment 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

As of December 31, 2018, our company has taken out loans worth TRY 29,986,226 from Türkiye Halk Bankası A.Ş. TRY 22,557,972 of these loans consist of short term revolving credits used by the company for the İzmir Evora project, and the year-end balance of the loan taken out in 2011 and received in monthly installments. As of December 31, 2018, TRY 7,428,253 remains of the loan

received in monthly installments, TRY 3,397,826 of which is classified as short term and TRY 4,030,427 is classified as long term. In 2018, there we have incurred financing expenses of TRY 5,969,724, and in these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not face 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 2018, the total rent of TRY 59,702 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., TRY 1,652,698 insurance expense has occurred in 2018 of which TRY 294,318 has been capitalized as prepaid expense and TRY 1,358,380 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 2018, TRY 21,082 expense has been occurred of which TRY 4,111 has been capitalized as prepaid expenses and TRY 16,971 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) Capitalization of expenses on 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 TRY 365,000 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 TRY 23,757,071 has been incurred. TRY 21,218,465 of these transactions were financing expenses, and TRY 2,538,606 were commissions for intermediation services. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

Halk Finansal Kiralama A.Ş.

Due to the transactions made by our Company with Halk Finansal Kiralama A.Ş., capitalized expense amounting to TRY 33,456,558 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 TRY 250,839,562 financial debt was generated. For these transactions, a financing expense of TRY 5,352,871 was incurred in the 2018 accounting period. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

Halk Finansal Kiralama A.Ş.

We have signed a financial leasing agreement with Halk Finansal Kiralama A.Ş. to meet the financing needs of our company, and as of the end of 2018, we have leased TRY 23,999,353. For these transactions, a financing expense of TRY 969,107 was incurred in the 2018 accounting period. 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 ON THE SUGGESTION OF THE DOMINANT COMPANY

None available.

3 - 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 the relevant communiqué of the Capital Market Board and its principles. Our Company's financials are audited 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 2018. Related to this operating period of 2018, we declare that our Company did not meet such a loss through an action raised due to known circumstances.

IV - DETAILS OF THE ASSETS AND RIGHTS IN THE PORTFOLIO

Real Estate Statement

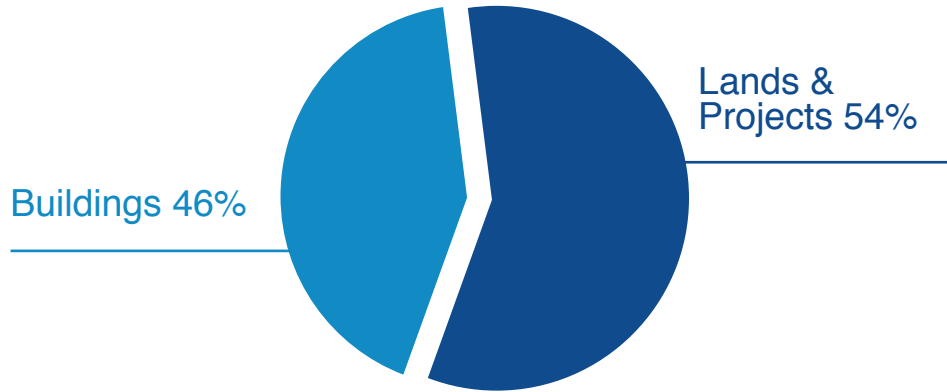
Real Estates	Buying Portfolio Date	*Mark to Market Value (TRY)
Lands & Projects		
Salıpazarı Land	26.01.2018	7,286,000
IIFC "Halk Towers" Project	28.10.2010	¹ 1,158,995,000
İzmir Evora Project	25.08.2017	³ 550,000,000
Bizimtepe Aydos Residential Project	16.10.2014	² 87,061,398
Erzurum Şehristan Residential Project	07.04.2016	² 39,427,033
Eskişehir Panorama Plus Residential Project	24.01.2012	² 6,912,633
Referans Bakırköy Residential Project	09.09.2011	² 1,656,345
Projects Total		1,301,338,409
Buildings		
Park Dedeman Levent Hotel Building	28.10.2010	246,138,000
İstanbul, Halkbank Finance Tower	29.12.2011	228,385,286
Şekerpınar Banking Center	11.09.2012	137,773,786
İstanbul Salıpazarı Hotel Building	28.10.2010	¹ 81,056,000
Halk Office Şekerpınar	11.09.2012	¹ 77,995,312
İstanbul Karaköy Building	28.10.2010	37,825,000
İzmir, Konak Building 1	28.10.2010	28,794,550
İstanbul Beyoğlu Building	28.10.2010	28,741,669
İstanbul Bakırköy Building	28.10.2010	25,154,333
İstanbul Beşiktaş Building	28.10.2010	21,346,000
İstanbul Etiler Building	28.10.2010	20,526,000
İstanbul Şişli Building	28.10.2010	18,844,404
Ankara Kızılay Building	28.10.2010	18,714,823
İzmir Konak Building 2	28.10.2010	16,186,796
Bursa Building	28.10.2010	16,110,000
İstanbul Caddebostan Building	28.10.2010	24,303,775
İstanbul Fatih Building	28.10.2010	13,475,250
Kocaeli Building	28.10.2010	13,100,920
İstanbul Ataköy Building	28.10.2010	12,954,666
Ankara Başkent Building	28.10.2010	12,642,550
Sakarya Adapazarı Building	28.10.2010	10,979,699
Ankara Bahçelievler Building 1	28.10.2010	10,770,670
İstanbul Nişantaşı Building	28.10.2010	10,288,500
Ankara Bahçelievler Building 2	28.10.2010	9,000,000
Buildings Total		1,121,107,988
Total Portfolio		2,422,446,397

1- These are 2018 year-end cost values. The total portfolio value is different from the total value of investment real estate in the independent audit report for the relevant period because this table includes the values of ongoing projects as well.

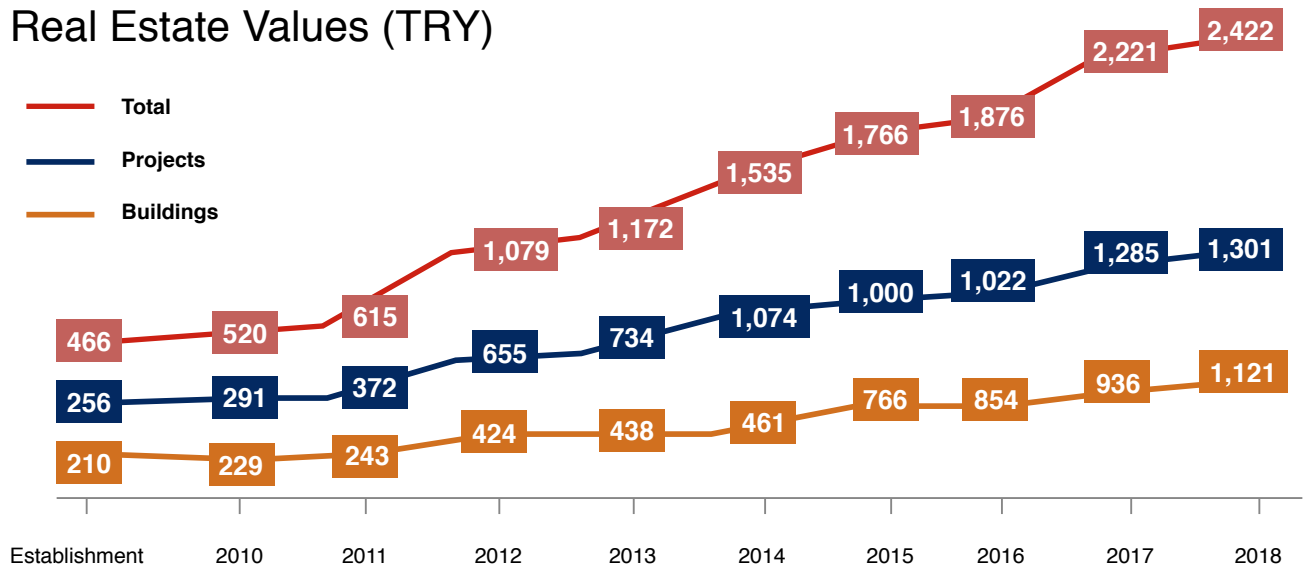
2- This is Halk GYO's share of the total appraisal values of unsold independent units in projects as of December 31, 2018.

3- This is our company's share of the sales value based on 1.7 billion Turkish liras, the tender price of the project. It is not included in to portfolio total, and shown here for information purposes only. (Halk GYO's share was calculated as 50% of the Ordinary Partnership's share of 65%.)

Real Estate Distribution (According to Last Appraisal Values)



Real Estate Values (TRY)



Information on Leased Real Estate

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

Real Estate With Rental Income	Lessee	Usage	January-December Rent Income (Try)
Ataşehir Halkbank Finance Tower	Halkbank	Head Office	15,750,000
Park Dedeman Levent Hotel	Dedeman Grup	Hotel	14,175,000
Şekerpınar Banking Center	Halkbank	Banking Center	6,677,948
Salıpazarı Hotel Building	Sapaz Otelcilik	Hotel	5,622,266
Bakırköy Building	Halkbank	Bank Branch	1,681,194
Kızılay Building	Halkbank	Bank Branch	1,620,060
Konak Building 1	Halkbank	Bank Branch	1,604,776
Beşiktaş Building	Halkbank	Bank Branch	1,528,358
Beyoğlu Building	Halkbank Undersecretariat of Treasury*	Bank Branch Office	1,415,812
Başkent Building	Halkbank Ceda Ltd.Şti.	Bank Branch Hotel	1,290,107
Etiler Building	Halkbank	Bank Branch	1,192,120
Şişli Building	Halkbank	Bank Branch	1,176,836
Bursa Building	Halkbank	Bank Branch	1,127,929
Konak Building 2	Halkbank Halk Emeklilik	Bank and Subsidiary Branch	1,069,923
Kocaeli Building	Halkbank	Bank Branch	1,069,851
Ataköy Building	Halkbank	Bank Branch	943,761
Bahçelievler Building 1	Halkbank	Bank Branch	851,296
Adapazarı Building	Halkbank	Bank Branch	769,203
Fatih Building	Halkbank	Bank Branch	764,179
Nişantaşı Building	Halkbank	Bank Branch	641,911
Panorama Plus B12 Apartment	**Real Person	Property	19,250
Panorama Plus B13 Apartment	**Real Person	Property	8,265
Halk Ofis Şekerpınar	--	In Marketing Process	-
Karaköy Building	--	In Marketing Process	-
Bahçelievler Building 2	--	In Marketing Process	-
Caddebostan Building	--	Urban Transformation	-
Total			61,000,045

* Our company's rent contract with the Undersecretariat of Treasury ended as of April 1, 2018.

** The rent contract for Apartment 12 of Block B in Panorama Plus project was signed in June 1, 2018, and the rent amount is for 7 months. The rent contract for Apartment 13 of Block B in Panorama Plus project was signed in June 1, 2018, and the rent amount is for 3 months.

Subsidiaries and Affiliates & Joint Activities

The Company does not have any associates or subsidiaries as of December 31st, 2018.

Information on the partnerships of the Company for purposes of developing real estate projects is as follows:

Halk GYO - Vakıf GYO Adi Ortaklığı	31 December 2018	31 December 2017
Current assets	93,267,604	206,892,687
Non-current assets	3,501,319	34,709,604
Current liabilities	(8,844,324)	(182,421,467)
	1 January - 31 Aralık 2018	1 January - 31 December 2017
Income / (Expenses)	27,710,214	(2,901,639)

Halk GYO - Erkonut Adi Ortaklığı	31 December 2018	31 December 2017
Current assets	40,093,573	70,350,910
Non-current assets	15,095	12,703,177
Current liabilities	(5,721,325)	(49,486,778)
	1 January - 31 December 2018	1 January - 31 December 2017
Income / (Expenses)	15,495,419	(56,683)

Halk GYO - Teknik Yapı Adi Ortaklığı	31 December 2018	31 December 2017
Current assets	8,151,289	3,108,217
Non-current assets	15,973,326	15,350,087
Current liabilities	(31,392,312)	(1,963,853)
Non-current liabilities	(2,987,240)	
	1 January - 31 December 2018	1 January - 31 December 2017
Expenses	(9,053,144)	(1,252,021)

Money and Capital Markets Instruments

	31 December 2018	31 December 2017
Cash at Banks	28,814,246	123,138,273
- Demand Deposits(*)	691,954	623,757
- Time Deposits	28,122,292	122,514,516
Expected Credit Loss (-)	(346)	--
Other Liquid Assets (**)	11,132	7,000
Cash and Cash Equivalents in the Statement of Financial Position	28,825,032	123,145,273
Less: Interest Income Accruals on Cash Equivalents	(223,504)	(524,510)
Cash and Cash Equivalents in the Statement of Cash Flows	28,601,528	122,620,763

(*) There is blocked amount for employee salary payments in the demand deposit amount between December 31, 2018 and December 31, 2017.

(**) As of December 31, 2018, and December 31, 2017, 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, 2018, the details of term deposits in banks are as follows:

31 December 2018	Amount	Interest Rate	Maturity
Time Deposits			
TL	19,444	21.00%	2 / 01 / 2019
TL	1,062	2.00%	2 / 01 / 2019
TL	21,126	19.50%	2 / 01 / 2019
TL	550,000	22.00%	2 / 01 / 2019
TL	20,152,876	23.25%	22 / 01 / 2019
TL	5,208,111	22.00%	30 / 01 / 2019
EUR	2,169,673	3.75%	2 / 01 / 2019
	28,122,292		



COMPLETED PROJECTS





PARK DEDEMAN LEVENT HOTEL

Province	İstanbul
District	Şişli / Levent
Last Appraisal Value	246.1 million Turkish liras

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" (Leadership in Energy- and Environment-Friendly Design) 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.



İSTANBUL “REFERANS BAKIRKÖY”

Province	İstanbul
District	Bakırköy
Last Appraisal Value	1.7 million Turkish liras
(The total value of unsold independent units owned by Halk GYO as of December 31, 2018.)	

“Reference Bakırköy” that has been tendered in 2012 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.

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ESKİŞEHİR “PANAROMA PLUS”



Province	Eskişehir
District	Odunpazarı
Last Appraisal Value (The total value of the 11 unsold independent units as of December 31, 2018).	6.9 million Turkish liras

The project in our Company’s portfolio, which is brought into action on our land of totally 9,811 sqm 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 31.12.2018, 11 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).



KOCAELİ ŞEKERPİRAR PROJECT

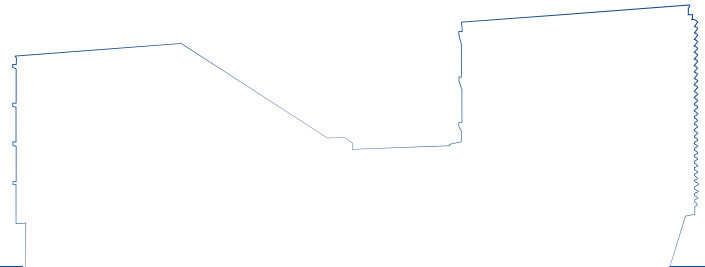


Province	Kocaeli
District	Şekerpınar
Last Appraisal Value	215.8 million Turkish liras

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

The “Şekerpınar Banking Center”, which is the A block of the project with an area of 9,000 sqm , 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 sqm, is ongoing.





İSTANBUL “BİZİMTEPE AYDOS”

Province	İstanbul
District	Sancaktepe
Appraisal Value (Halk GYO's 50% share of the appraisal value of the unsold 312 independent units of the project as of December 31, 2018).	87 million Turkish liras
Contractor	Haldız İnşaat A.Ş.
Construction Start Date	November 2015
Project End Date	May 2018
Number of Total Independent Units	1037 Residential + 47 Commercial
Number of Units Sold (As of December 31, 2018)	773 Residential units

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.

This project with the motto “Happiness begins at home”, will have 95k sqm land, 90% of which is allocated for landscape. The project consists of 2+1/3+1/4+1 apartments in 17 blocks with 13 stories, with a total of 1037 residential and 47 commercial units, with hobby gardens, bicycle and running tracks, arbors and ponds, grass amphitheatres, as well as commercial units, private kindergarten and market.

Construction work for the project, which had started in November 2015, was completed in 2018, and we have started to deliver the units to their new owners.



ERZURUM “ŞEHRİSTAN KONUTLARI”

Province	Erzurum
District	Yakutiye
Last Appraisal Value of the Entire Project (Halk GYO's 50% share of the appraisal value of the unsold 236 independent units of the project as of December 31, 2018).	39.4 million Turkish liras
Contractor	Er Konut İnşaat A.Ş.
Construction Start Date	May 2016
Project End Date	May 2018
Number of Total Independent Units	632 Residential + 13 Commercial
Number of Units Sold (As of December 31, 2018)	403 Residential + 6 Commercial

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. There are 13 blocks in 3 different styles, each with 13 stories, with a total of 632 residential and 13 commercial units on a land of 23,734 sqm in this project, initiated by the Halk GYO-Er Konut İnşaat Ordinary Partnership, in which each partner has a 50 percent share.

Construction work for the project, which had started in May 2016, was completed in 2018, and we have started to deliver the units to their new owners.



SALIPAZARI HOTEL

Province	İstanbul
District	Beyoğlu - Salıpazarı
Project Value of the Building (Mark at market value of the project as specified in the independent audit report as of December 31, 2018).	81.1 million Turkish liras
Rent Period	20 years
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 in March 2015 with the company that quoted the highest guaranteed rental income in the tender, which was based on the decision to lease the property on a long-term basis 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.

Building use permit for Salıpazarı Building was obtained in 2018, and the building has been put to use as a hotel.

ONGOING PROJECTS



İSTANBUL INTERNATIONAL FINANCIAL CENTER HALK TOWERS PROJECT

Province	İstanbul
District	Ümraniye
Contractor	YDA İnşaat A.Ş.
Construction Start Date	December 2016
Planned Finish Date	December 2019
Construction Completion Rate	%28
Construction Area	425.000 sqm
Project Value (Cost value of the project as of December 31, 2018.)	1.559 billion Turkish liras

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, is building 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.



EVORA İZMİR PROJECT

Province	İzmir
District	Alsancak
Plot size	47.070 sqm
Project Scope	Residential+Commercial+Tourism
Project Revenue Size	1.7 billion Turkish liras

“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 Turkish liras 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 sqm parcels. According to the contract details, the income share rate of the Ordinary Partnership is 65%. Pre-construction work for the project is underway, and the sales process has begun.

EVORA İzmir project, which was designed to have a mixed structure combining residential, commercial, park, culture, and tourism functions, was awarded the “Best Architectural Design” award in the 2018 SOTCA (Sign of the City Awards) organization held on an annual basis.

Information regarding Portfolio Limitations

	Financial Statement Primary Account Items	Regulation	31.12.2018 (TL)	31.12.2017 (TL)
A	Money and Capital Market Instruments	Serial: III-48.1 Article 24/(b)	28,825,032	123,145,273
B	Real Estates, Based on Real Estates, Rights Based on Real Estates	Serial: III-48.1 Article 24/(a)	2,391,793,833	2,080,389,207
C	Subsidiaries	Serial: III-48.1 Article 24/(b)	--	--
	Due From Related Parties (non-trade)	Serial: III-48.1 Article 23/(f)	--	--
	Other Assets		206,260,620	173,399,260
D	Total Assets	Serial: III-48.1 Article 3/(k)	2,626,879,485	2,376,933,740
E	Loans and Borrowings	Serial: III-48.1 Article 31	290,545,287	226,914,420
F	Other Financial Liabilities	Serial: III-48.1 Article 31	--	--
G	Financial Leasing Obligations	Serial: III-48.1 Article 31	24,078,915	--
H	Due to Related Parties (non-trade)	Serial: III-48.1 Article 23/(f)	--	--
i	Equity	Serial: III-48.1 Article 31	2.275.075.016	1,879,401,652
	Other Liabilities		37.180.267	270.617.668
D	Total Liabilities and Equity	Serial: III-48.1 Article 3/(k)	2,626,879,485	2,376,933,740

	Other Financial Information	Regulation	31.12.2018 (TL)	31.12.2017 (TL)
A1	Portion of Money and Capital Markets Instruments for Real Estate Payments of 3 Years	Serial: III-48.1 Article 24/(b)	--	--
A2	Time deposit/demand deposit/TL/Foreign Currency	Serial: III-48.1 Article 24/(b)	28,814,246	123,138,273
A3	Foreign Capital Market Instruments	Serial: III-48.1 Article 24/(d)	--	--
B1	Foreign Real Estates, Based on Real Estates Projects, Rights For Real Estates	Serial: III-48.1 Article 24/(d)	--	--
B2	Idle Land	Serial: III-48.1 Article 24/(c)	--	--
C1	Foreign Subsidiaries	Serial: III-48.1 Article 24/(d)	--	--
C2	Investment in the Operating Company	Serial: III-48.1 Article 28	--	--
J	Non-cash Loans	Serial: III-48.1 Article 31	219,069,644	283,396,956
K	Mortgage Amounts on Land That Project to be Developed But the Ownership Does Not Belong The Entity	Serial: III-48.1 Article 22/(e)	--	--
L	Total Investments of Money and Capital Market Instruments at One Company	Serial: III-48.1 Article 22/(l)	--	--

	Portföy Sınırlamaları	Regulation	Calculation	Min/Max Rate	31.12.2018 (TL)	31.12.2017 (TL)
1	Mortgage Amounts On Land That Project To Be Developed But The Ownership Does Not Belong The Entity	Serial: III-48.1 Article 22(e)	K/D	Max. 10%	--	--
2	Real Estates, Based On Real Estates Projects, Rights For Real Estates	Serial: III-48.1 Article 24/(a),(b)	(B+A1)/D	Min. 51%	91.05%	87.52%
3	Money and Capital Market Instruments and Associates	Serial: III-48.1 Article 24(b)	(A+C-A1)/D	Max. 49%	1.10%	5.18%
4	Foreign Real Estates, Based On Real Estates Projects, Rights For Real Estate, Associates, Capital Market Instruments	Serial: III-48.1 Article 24(d)	(A3+B1+C1)/D	Max. 49%	--	--
5	Idle Land	Serial: III-48.1 Article 24(c)	B2/D	Max. 20%	--	--
6	Investment in Operating Company	Serial: III-48.1 Article 28	C2/D	Max. 10%	--	--
7	Borrowing Limit	Serial: III-48.1 Article 31	(E+F+G+H+J)/İ	Max. 500%	23.46%	27.15%
8	Time Deposit/Demand Deposit TL/Foreign Currency	Serial: III-48.1 Article 24(b)	(A2-A1)/D	Max. 10%	1.10%	5.18%
9	Total Investments of Money and Capital Market Instruments at One Company	Serial: III-48.1 Article 22(I)	L/D	Max. 10%	--	--

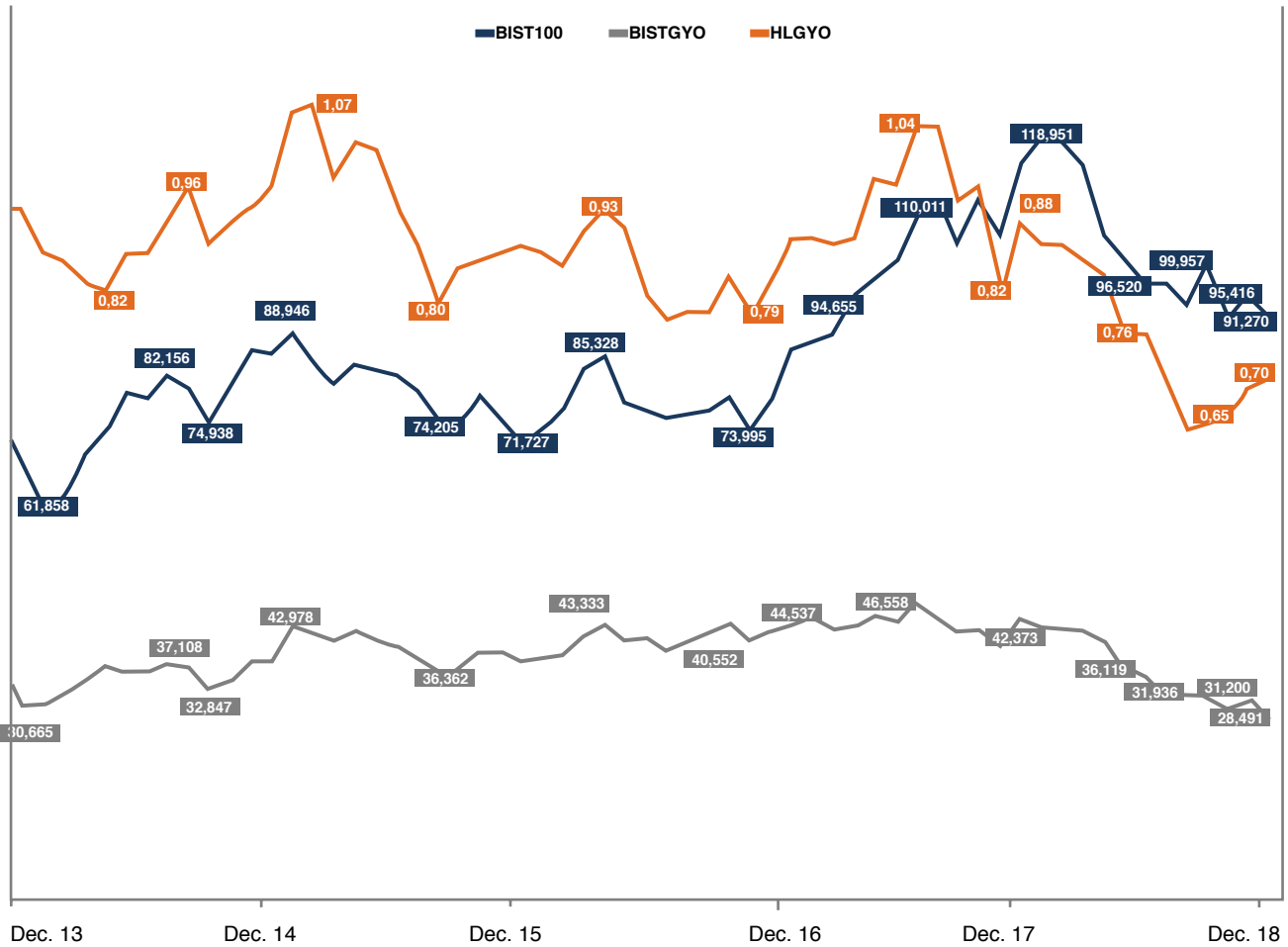


V - SHARE PERFORMANCE

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

As of December, 2018	Piece	Rate %	Market Value (TRY)
Closing Price			0,70
Total Shares	858,000,000		600,600,000
Total Publicly Held Shares	240,239,859	28.00	168,167,901
Other Shares in Actual Circulation	152,864,678	17.82	107,005,275
HALKBANK's shares from BIST	63,186,302	7.36	44,230,411
HALKGYO's shares from BIST	24,188,879	2.82	16,932,215

In December 2018, the BIST 100 index decreased by 20.86% compared to the previous year, while the GYO index decreased by 35,45% in one-year performance. The stocks of our company, on the other hand, experienced a value loss of 23.08%, closing at TRY 0.70 a piece at the end of December. As of the end of the period, our company is the 9th biggest in the sector in terms of market value, with 601 million Turkish liras.



VI - 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 & Risk and Compliance". The Department 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 Internal Audit & Risk and Compliance, 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.

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: 48.1 for Principles on Real Estate Investment Trusts as issued by Capital Market Board (CMB).

VII - SERVICE PROVIDING COMPANIES IN 2018

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

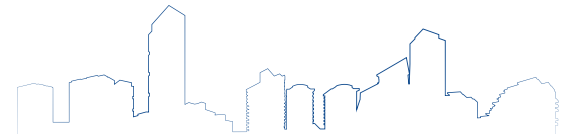
PR Agency

Grup7 İletişim Danışmanlığı A.Ş.

Project Marketing and Consulting Company

Aremas Pazarlama ve Danışmanlık Hizmetleri Ltd. Şti.

Our company does not have any conflicts of interest or disputes with these companies from which we have purchased services in the period January 1, 2018 to December 31, 2018. We take utmost care to avoid any conflicts of interest in our contracts and internal regulations.



VII - 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.

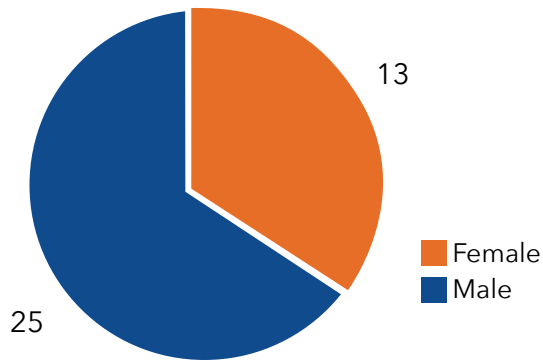
During the year, there are no complaints from Human Resources about discrimination.

Organization Structure and Employee Profile

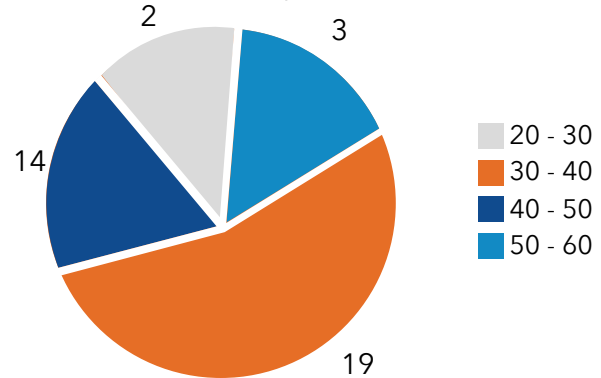
Halk GYO conducts its activities with a structure that consists of the Directorate of Internal Audit & Risk and Compliance under the Board of Directors, two Deputy General Managers and the Directorate of Investor Relations and Corporate Governance under the General Manager's office, and five directorates and their departments under the Assistant General Managers. Our Company's number of personnel is 38, as of 31 December 2018. (December 31, 2017: 40)

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

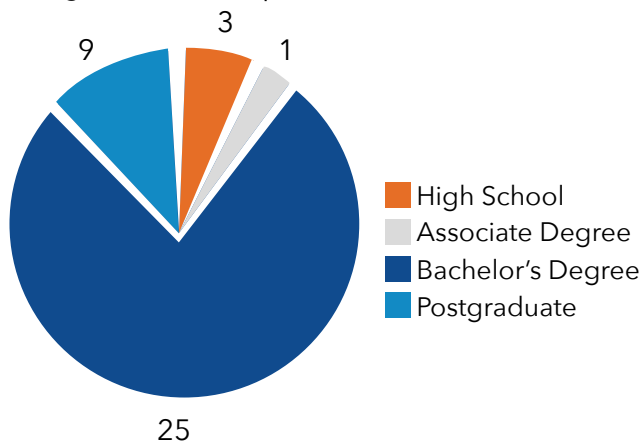
Number of Employees (person)



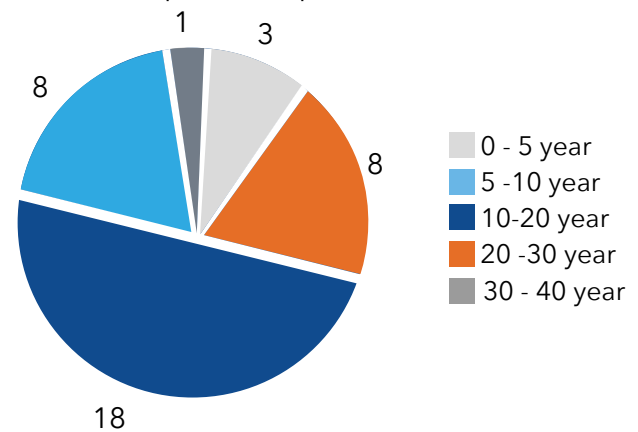
Age Distribution (person)



Training Distribution (person)



Total Work Experience (person)



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 2018, 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

There were no donations or contributions during the period.

TRY 1,176, 495 of the TRY 2,600,000 that we had donated in the January-December 2017 period to contribute to the campaign that was initiated to reconstruct and repair the Turkish Grand National Assembly building, which was damaged during the treacherous coup attempt of July 15, 2016, was returned to our company by the consortium that undertook construction and repair work.

Research and Development Activities

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

Cases Brought/Ongoing Against the Company

In the period January 1, 2018 to December 31, 2018, there were no cases brought against the company that could affect the financial situation or activities of the company. In the period January 1, 2018 to December 31, 2018, there were no cases brought against Board Members of employees for practices violating relevant legislation, and there were not legal or administrative sanctions.



IX - IMPORTANT CHANGES FOLLOWING THE ACCOUNTING PERIOD

The following actions were taken following the accounting period as per resolutions of the Board of Directors:

An additional protocol was signed to increase the rents for 15 properties rented by Türkiye Halk Bankası A.Ş. by 15% based on January 2018 rents, starting from 01.01.2019 until the next rent increase dates.

We have renewed our contract with SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. for credit and corporate governance ratings. Contracts signed with SAHA on January 16, 2019 are for 2 (two) years, and they will remain in effect until January 16, 2021.

For 2019, we have decided to purchase real estate appraisal services from “Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.” for the appraisals of current properties in our portfolio, and for assets that might be included in the portfolio in 2019 and may require appraisals, we have decided to purchase appraisal services from “Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.” or “Adım Gayrimenkul Değerleme A.Ş.” .

Board Member Hakan Özyol has resigned from his position on February 12, 2019.



ANNEX 1:
SUMMARY OF 2018
YEAR END
APPRAISAL REPORT
ON ASSETS

LANDS & PROJECTS



ISTANBUL INTERNATIONAL FINANCIAL CENTER PROJECT "HALK TOWERS"

Report Date	27.12.2018
Report Number	2018 - HALKGYO - 29
Appraisal Date	25.12.2018
Date Of The Base Contract	23.01.2018
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.
12.31.2018 Appraisal Value (Cost)	(Excluding VAT) TRY 1,158,995,000



ISTANBUL "BİZİMTEPE AYDOS" RESIDENTIAL PROJECT

Report Date	28.12.2018
Report Number	2018 - HALKGYO - 25
Appraisal Date	21.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	Residential project located on a plot of land of 95,221.84 sqm located on the block 8085 and plot 36 in the province of Sancaktepe, İstanbul.
12.31.2018 Appraisal value (precedent) (For 482 residential and 47 commercial units)	(Excluding VAT) TRY 285,987,149
Last Appraisal Value of the Entire Project-HALK GYO's Share (50%)	(Excluding VAT) TRY 142,993,574

ERZURUM ŞEHİRİSTAN RESIDENTIAL PROJECT

Report Date	31.12.2018
Report Number	2018 - HALKGYO - 12
Appraisal Date	25.12.2018
Date Of The Base Contract	23.01.2018
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.
12.31.2018 Appraisal value (precedent) (For 293 residential and 7 commercial units)	(Excluding VAT) TRY 99,901,944
Last Appraisal Value of the Entire Project-HALK GYO's Share (50%)	(Excluding VAT) TRY 49,950,972



REFERANS BAKIRKÖY RESIDENTIAL PROJECT

Report Date	27.12.2018
Report Number	2018 - HALKGYO - 16
Appraisal Date	24.12.2018
Date Of The Base Contract	23.01.2018
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.
12.31.2018 Appraisal value (precedent) (For 12 residential units)	(Excluding VAT) TRY 10,698,845





ESKİŞEHİR "PANORAMA PLUS" RESIDENTIAL PROJECT

Report Date	28.12.2018
Report Number	2018 - HALKGYO - 13
Appraisal Date	26.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	Residential project located on the land in Eskişehir Province, Odunpazarı District.
12.31.2018 Appraisal value (precedent) (For 12 residential units)	(Excluding VAT) TRY 10,642,272

REAL ESTATE WITH RENTAL INCOME



ISTANBUL HALKBANK FINANCE TOWER

Report Date	27.12.2018
Report Number	2018-HALKGYO-14
Appraisal Date	25.12.2018
Date Of The Base Contract	23.01.2018
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.
12.31.2018 Appraisal value (precedent)	(Excluding VAT) TRY 228,385,286

İSTANBUL "PARK DEDEMAN LEVENT HOTEL"

Report Date	13.12.2018
Report Number	2018 - HALKGYO - 27
Appraisal Date	10.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	Real estate property with the qualification "18-story Reinforced Concrete Hotel and its land" registered in İstanbul province Şişli District, Mecidiyeköy Quarter, block 1957, plot 6.
12.31.2018 Appraisal value (cost)	(Excluding VAT) TRY 246,138,000



ŞEKERPINAR BULDINGS

Report Date	27.12.2018
Report Number	2018 - HALKGYO - 32
Appraisal Date	23.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	Real estates located in Kocaeli Province, Çayirova District, Şekerpınar land.
12.31.2018 Appraisal value (cost)	(Excluding VAT) TRY 215,769,098





İSTANBUL SALİPAZARI BUILDING

Report Date	27.12.2018
Report Number	2018 - HALKGYO - 21
Appraisal Date	24.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	Real estate registered with 10-story Framed Concrete Building qualification located in Istanbul Province, Beyoğlu District, Kılıçalı Quarter, layout 138, block, 57 and plot 14.
12.31.2018 Appraisal Value (Cost)	(Excluding VAT) TRY 81,056,000



İSTANBUL ATAĞÖY BUILDING

Report Date	27.12.2018
Report Number	2018 - HALKGYO - 15
Appraisal Date	24.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	Building with basement + ground + 1 normal floor + penthouse, located in Istanbul Province, Bakırköy District, Kartaltepe Quarter on layout 51, block 115, plot 174.
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 12,954,666

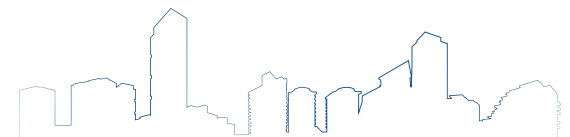
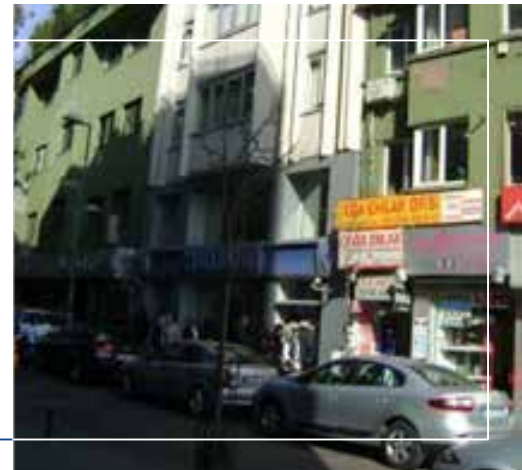
İSTANBUL BEYOĞLU BUILDING

Report Date	28.12.2018
Report Number	2018 - HALKGYO - 20
Appraisal Date	26.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	Office building consisting of 2 basements + ground + mezzanine + 6 normal stories and 9 independent units located in Istanbul Province, Beyoğlu District Hüseyinağa Quarter on block 338, plot 8.
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 28,741,669



İSTANBUL BEŞİKTAŞ BUILDING

Report Date	21.12.2018
Report Number	2018 - HALKGYO - 19
Appraisal Date	19.12.2018
Date Of The Base Contract	23.01.2018
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.
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 21,346,000





İSTANBUL BAKIRKÖY BUILDING

Report Date	27.12.2018
Report Number	2018 - HALKGYO - 17
Appraisal Date	24.12.2018
Date Of The Base Contract	23.01.2018
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.
12.31.2018 Appraisal Value (Precedent)	Excluding VAT) TRY 25,154,333



İSTANBUL CADDEBOSTAN BUILDING

Report Date	26.12.2018
Report Number	2018-HALKGYO-24
Appraisal Date	24.12.2018
Date Of The Base Contract	23.01.2018
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.
12.31.2018 Appraisal Value (Precedent)	Excluding VAT) TRY 24,303,775

İSTANBUL ETİLER BUILDING

Report Date	21.12.2018
Report Number	2018 - HALKGYO -18
Appraisal Date	20.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	Building registered in İstanbul Province, Beşiktaş District, Bebek Quarter, block 578, plot 3.
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 20,526,000



İSTANBUL FATİH BUILDING

Report Date	27.12.2018
Report Number	2018 - HALKGYO - 23
Appraisal Date	24.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	Building with basement + ground + 4 normal story located in İstanbul Province, Fatih District Hobyar Quarter on layout 25, block 418, plot 2.
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 13,475,250





İSTANBUL KARAKÖY BUILDING

Report Date	10.12.2018
Report Number	2018 - HALKGYO - 22
Appraisal Date	07.12.2018
Date Of The Base Contract	23.01.2018
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.
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 37,825,000



İSTANBUL NİŞANTAŞI BUILDING

Report Date	21.12.2018
Report Number	2018 - HALKGYO - 26
Appraisal Date	19.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	Main real estate registered in Istanbul province, Şişli District, Halaskargazi Quarter, block 680, plot 14.
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 10,288,500

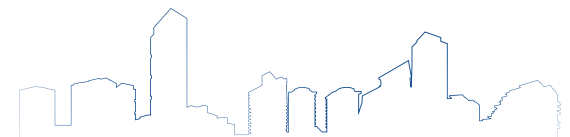
İSTANBUL ŞİŞLİ BUILDING

Report Date	28.12.2018
Report Number	2018 - HALKGYO - 28
Appraisal Date	27.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	Masonry building qualified, with a working place under, located in İstanbul Province, Şişli District, Meşrutiyet Quarter, block 954, plot 62 with an area of 200,00 m².
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 18,844,404



ANKARA BAHÇELİEVLER BUILDING 1

Report Date	20.12.2018
Report Number	2018 - HALKGYO - 09
Appraisal Date	19.12.2018
Date Of The Base Contract	23.01.2018
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 Bahçelievler Quarter, on block 2758, plot 29.
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 10,770,669





ANKARA BAĞÇELİEVLER BUILDING 2

Report Date	10.12.2018
Report Number	2018 - HALKGYO - 10
Appraisal Date	05.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	"Warehouse Workplace" with ground floor no 9 in Ankara Province, Çankaya District, block 2763 plot 10.
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 9,000,000



ANKARA KIZILAY BUILDING

Report Date	28.12.2018
Report Number	2018 - HALKGYO - 07
Appraisal Date	26.12.2018
Date Of The Base Contract	23.01.2018
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)
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 18,714,823

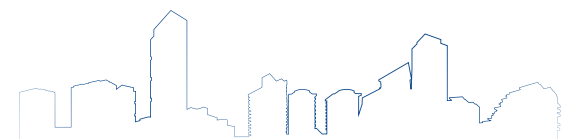
ANKARA BAŞKENT BUILDING

Report Date	21.12.2018
Report Number	2018 - HALKGYO - 08
Appraisal Date	19.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	Real estate registered as "11-story Reinforced Concrete Hotel, Office and Workplace and its land" located in Ankara Province, Çankaya District, block 1046 plot 27.
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 12,642,550



İZMİR KONAK BUILDING 1

Report Date	28.12.2018
Report Number	2018 - HALKGYO - 30
Appraisal Date	26.12.2018
Date Of The Base Contract	23.01.2018
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.
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 28,794,550





İZMİR KONAK BUILDING 2

Report Date	28.12.2018
Report Number	2018 - HALKGYO - 31
Appraisal Date	26.12.2018
Date Of The Base Contract	23.01.2018
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.
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 16,186,796



BURSA BUILDING

Report Date	27.12.2018
Report Number	2018 - HALKGYO - 11
Appraisal Date	25.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	"7-Story Reinforced Concrete Bank Building" registered on Bursa Province, Osmangazi District, Kayihan Quarter, layout H22D07A3B, block 4306, plot 1.
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 16,110,000

KOCAELİ BUILDING

Report Date	27.12.2018
Report Number	2018 - HALKGYO - 35
Appraisal Date	23.12.2018
Date Of The Base Contract	23.01.2018
Short Description Of The Appraised Property	"Reinforced Concrete Bank Service Building" in Kocaeli Province, Izmit District, block 870 plot 48.
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 13,100,920



SAKARYA ADAPAZARI BUILDING

Report Date	28.12.2018
Report Number	2018 - HALKGYO - 33
Appraisal Date	26.12.2018
Date Of The Base Contract	23.01.2018
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".
12.31.2018 Appraisal Value (Precedent)	(Excluding VAT) TRY 13,100,920



ANNEX 2:
CORPORATE
GOVERNANCE
COMPLIANCE
REPORT - 2018

PART I - 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. Some rare principles that are not applied do not cause any conflicts of interests. 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 set as "92.74" by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA) within the scope of their examination in 2018. The company's corporate governance ratings from 4 main sections are as follows: Shareholders 94.71, Public Disclosure and Transparency 93.93, Stakeholders 94.36, Board of Directors 89.80. The rating report prepared by SAHA is placed under the heading "Rating Notes" in the "Investor Relations" section of the Company website.

As per Capital Markets Board Decision 2/49 dated January 10, 2019, Corporate Governance Compliance reporting under Communiqué II-17.1 shall be made using the Corporate Governance Compliance Report (CGCR) and Corporate Governance Information Form (CGIF) templates using the Public Disclosure Platform KAP. These reports are also available on the Company website in the "Investor Relations" section, under the heading of "Corporate Governance".

Details of the reporting made via these templates are provided in the following.

PART II - SHAREHOLDERS

2 - Investor Relations Unit

Halk GYO, whose 28% of shares have started to be traded in Stock Exchange Istanbul since the date of February 22, 2013, 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 an Investor Relations Department within the Directorate of Corporate Communication and Investor Relations, which operates under the General Manager, 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. The department is run by Corporate Communication and Investor Relations Director Uğur Güney. Uğur Güney is also 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 is as follows.

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



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 promotion and 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, and

- Participating in domestic and overseas roadshows.

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, inquiries from investors through individual and institutional investors via telephone and e-mail were received and answered, 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 and the sector are regularly followed up.

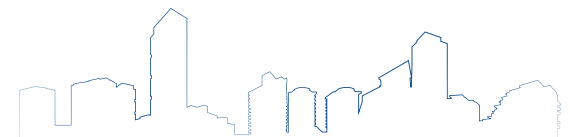
The Company website is actively used to facilitate public disclosure and usage of shareholder rights. Quarterly investor presentations, as well as the financial statements, along with material event disclosures made through the Public Disclosure Platform (PDP) are published on the Company website in 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, documents concerning ordinary and extraordinary General Assemblies of Shareholders that are required by the relevant legislation 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 2017 was held on April 26, 2018 in the Company headquarter with 79.45% attendance, 79,45% of which in person and 0.004% 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 2017 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. In addition, a "General Assembly Information Document" was prepared for investors to have prior information about the topics on the agenda of the general assembly, and published on the company website alongside a sample power of attorney, the agenda, and the dividend proposal of the Board of Directors. The 2017 Annual Report was presented to the investors 21 days prior to the assembly date in the company headquarters, over the internet, and over www.kap.gov.tr for examination.

All documents prepared 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.

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 858,000,000 shares each with a nominal value at TRY 1.00, representing the issued capital within the ceiling limit of the authorized capital of the company valued at TRY 1,500,000,000, 13,880,793.930 shares constitute Group A shares and 844,119,206.070 shares constitute Group B 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

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 the General Assembly. 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

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.

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 for 2017 held during the period, a decision has been made that the amount of TRY 3,800,000 which corresponds to 8.99% of the distributable period profit of the year 2017 be distributed in cash on 04.30.2018, and the amount of TRY 38,000,000 which corresponds to 89.86% be distributed in the form of bonus share, and the capital increase process started on 06.20.2018.

7 - Transfer of Shares

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





PART III-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, 2018 targets were mentioned in the annual report of 2017 and the explanations related to said targets were shared with public under the same heading in the annual report 2018.

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 IV - 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, 7 press bulletins and 98 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

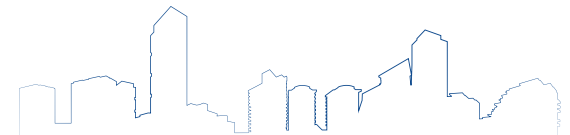
Ethical principles created in 2010 and approved by the Board of Directors were published on the company website and disclosed to the public. In 2016, our company has decided to implement the Ethical Principles of Türkiye Halk Bankası A.Ş., our main shareholder, and published these principles under the title “Ethical Principles” in the Corporate section of the 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 V - 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 has a total of 7 members, consisting of 1 executive and 6 non-executive directors, 2 of which are independent. In 2018, there was no situation removing the independence of the Board of Directors. As of the date of this report, there were no female board members. The Board of Directors does not have a policy setting a target rate and timeframe for female members such that the rate of female members would not be less than twenty five percent, but there are no regulations that prevent the election of female members to the Board of Directors.

Name Surname	Duty	Profession	Duties Assumed in the Trust in the Last 5 Years	Current Duties Outside the Trust	Share of Capital in the Trust (%)	Represented Share Group	Election Date /	Status
Ahmet Yarız	Chairman Of The Board	Banker	Board Member	Türkiye Halk Bankası A.Ş. Board Membe	--	--	September 2018	Non-executive Member /Not an Independent Member
Selahattin Süleymanoğlu	Vice Chairman Of The Board	Banker	--	T.halk Bankası A.Ş. Deputy General Manager For Human Resources And Support Services	--	--	July 2018	Non-executive Member /Not an IndependentMember
Yüksel Görgeç	Board Member	Banker	Independent Board Member	--	--	--	April 2018	Independent Member
Mehmet Nihat Ömeroğlu	Board Member	Banker	--	Türkiye Halk Bankası A.Ş. Independent Board Member. Board Membe	--	--	April 2018	Independent Member
Hakan Özyol	Board Member	Banker	--	Türkiye Halk Bankası A.Ş. Head Of The Department Of Huma Nresources / Consultatn To The General Manage	--	--	April 2018	Non-executive Member /Not an Independent Member
Mehmet Tanriverdi	Board Member	Banker	--	Türkiye Halk Bankası A.Ş. Director Of Support And Constructio	--	--	September 2018	Non-executive Member /Not an Independent Member
Dr. Feyzullah Yetgin	Board Member - General Manager	Banker	--	--	--	--	April 2018	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 2018.

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 2018, 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 33 times during the period and 58 decisions were taken at these meetings. Care has been taken to ensure that the meeting date is determined to ensure the participation of all members. All of the meetings 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 company was insured against any damages that the Board Members may cause the company when carrying out their duties, and the company has not made a Public Disclosure Platform announcement regarding this insurance transaction.

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	Chairman	Independence Status	Member	Independence Status
Audit Committee	Yüksel GÖRGEÇ	Independent	M. Nihat ÖMEROĞLU	Independent
Corporate Governance Committee	M. Nihat ÖMEROĞLU	Independent	Selahattin SÜLEYMANOĞLU Uğur GÜNEY	Not Independent Not Independent-Executive
Remuneration Committee	Yüksel GÖRGEÇ	Independent	M. Nihat ÖMEROĞLU	Independent
Committee for Early Detection of Risk	M. Nihat ÖMEROĞLU	Independent	Hakan ÖZYOL	Not Independent

The Board of Directors of the Company consists of a total of 7 members, 1 executive and 6 non-executive, and 2 members hold the status of independent member of the Board of Directors. As it is required to have at least one independent member in the committees as per the relevant legislation, a member of the board of directors is assigned in more than one committee within the current organization.

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

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

Committee follows the Company's investor relations activities and strategies and it provides that the Board of Directors is kept regularly informed about such issues. Besides these functions, the Committee also gets into the acts in such areas as providing coordination among other committees and backing up their activities if necessary. During the period, Committee assembled for 4 meetings and took 4 decisions.

Corresponding its 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 8 meetings and took 4 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 2 meetings and took 2 decisions.

The Board's Assessment Report on the work of the committees within the period was included under heading 1 of the 2018 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 TRY 1,434,490.



KARAKÖY PALATOSU

YAPIKREDİ

YAPIKREDİ

(CONVENIENCE TRANSLATION OF THE REPORT AND THE
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018
AND INDEPENDENT
AUDITOR'S REPORT

INDEPENDENT AUDITOR’S REPORT

To the General Assembly of Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

A) INDEPENDENT AUDIT OF FINANCIAL STATEMENTS

1 - Opinion

We have audited the accompanying financial statements of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. (“the Company”), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards.

2 - Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing (“SIA”) which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (“Code of Ethics”) published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3 - Emphasis of Matter

We draw attention to the following:

As detailed in Note 27, one of the former directors of the Company’s main shareholder, Türkiye Halk Bankası A.Ş. (main shareholder Bank) has been convicted and imprisoned for some of the charges by the court in the United States of America (“USA”) as of 16 May 2018. Main shareholder Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the main shareholder Bank. Separate from this trial, there is an uncertainty of any negative decisions by the USA authorities against the main shareholder Bank affecting its financial position, if any and their effects on the Company. The main shareholder Bank’s management indicated that there are no enforcement or other actions against the Bank at this stage. Our opinion is not modified in respect of this matter.

4. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matter	How this issue was addressed in the audit
<p>1) Presentation of investment properties in the financial statements and significant disclosures</p> <p>The Company accounts for its investment properties at fair value.</p> <p>The fair values of the investment properties presented in the financial statements amounting to TL 2,288,772,410 as of 31 December 2018 have been determined by an independent appraiser firm.</p> <p>Due to the fact that approximately 87% of the Company's total assets consist of investment properties and valuation methods applied at fair value include significant estimates and assumptions, we have determined the accuracy of work performed for determination of fair value of the investment properties and principles related to presentation of investment properties in the financial statements as a key audit mater.</p> <p>(For the respective accounting policy please refer to "Note 2 Summary of Significant Accounting Policies" and for the details of investment properties please refer to Note 8)</p>	<p>The following procedures were performed within the scope of our audit work:</p> <ul style="list-style-type: none"> • As part of our Audit procedures, we evaluated the design and implementation of the key controls of the Company's management over the indepepent appraisal reports. • The qualifications, competencies and impartiality of real estate appraisers appointed by the management have been evaluated. • The appropriateness of methods used by the Company's appraisers in their valuation reports for investment properties. • The reconciliation of the amounts disclosed in note 8 for investment properties and the values determined by the appraisers in their reports. • The assumptions used by independent appraisers (including rate of increase, real discount rate, market rents and estimated occupancy rates) include the analysis of the market data in their determination of fair value of investment properties. We have engaged another independent external expert (real estate appraiser) on a sampling basis in our work in order to assess such analysis. • In line with the above procedures, we have evaluated as to whether the values appreciated by valuation specialists are within an acceptable range, considering the existence of high level judgments used in valuation reports, as well as alternative estimates and valuation techniques. • Additionally, the appropriateness of the information disclosed in the financial statements and in the explanatory notes was controlled taking into consideration the significance of the disclosures to draw attention of the users..
<p>2) Inventories</p> <p>Inventories amounting to TL 103,021,423 which were accounted for under current assets in the financial statements of the Company consist of costs of lands on which development of various construction projects are planned in a short term and on which project development and construction activities have already begun.</p> <p>We have determined project inventories as a key audit matter evaluating that they form a significant balance in the Company's total assets and also taking the accounting principles applied for acquisition and other costs into consideration.</p> <p>(For the respective accounting policy, please refer to "Note 2 Summary of Significant Accounting Policies" and Note 6 for details of inventories.)</p>	<p>We have performed the following within the scope of our audit procedures:</p> <ul style="list-style-type: none"> • Comparison of the construction and development costs incurred in the current period with underlying documentation such as invoices and interim payment certificates on a sampling basis. • Testing of disposal of inventories as a result of sales and recording of related costs in profit or loss using sampling method, • Control of the net realizable value of inventories using appraisal reports and realised sales.

5 - Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

6 - Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, our responsibilities as independent auditors are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Independent Auditing Standards published by the Capital Markets Board will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Independent Auditing as published by the Capital Markets Boards and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B - REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 14 February 2019.

In accordance with paragraph four of the Article 402 of the TCC, nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January-31 December 2018 does not comply with the TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of the TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The independent audit herein, is conducted and concluded by the engagement partner Hasan Kılıç.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Hasan Kılıç, SMMM Partner Denetçi
İstanbul, 14 February 2019



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HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(Amounts expressed in Turkish Lira (TL))

		Audited	Audited
Assets	Notes	31 December 2018	31 December 2017
Current Assets		210,964,848	432,080,905
Cash and Equivalents	26	28,825,032	123,145,273
Trade Receivables	5	9,757,225	36,703,574
- Trade Receivables From Related Parties	4	627	148,189
- Trade Receivables From Related Parties		9,756,598	36,555,385
Inventory	6	103,021,423	252,004,404
Prepaid Expenses	7	647,577	318,312
- Prepaid Expenses To Related Parties		298,429	103,490
- Other Prepaid Expenses		349,148	214,822
Current Tax Assets		1,021,383	1,046,404
Other Current Assets	13	67,692,208	18,862,938
- Other Current Assets		67,692,208	18,862,938
Non-Current Assets		2,415,914,637	1,944,852,835
Trade Receivables	5	6,216,382	5,799,107
- Trade Receivables From Third Parties		6,216,382	5,799,107
Investment Property	8	2,288,772,410	1,828,384,803
Property, Plant and Equipment	9	800,320	270,652
Intangible Assets	10	346,313	105,718
- Other Intangible Asssets		346,313	105,718
Prepaid Expenses	7	118,829,008	67,861,990
- Othet Prepaid Expenses		118,829,008	67,861,990
Other Nin-Current Assets	13	950,204	42,430,565
- Other Non-Current Assets From Third Parties		950,204	42,430,565
Total Assets		2,626,879,485	2,376,933,740

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(Amounts expressed in Turkish Lira (TL))

		Audited	Audited
Liabilities	Notes	31 December 2018	31 December 2017
Current Liabilities		333,968,195	490,493,887
Financial Borrowings	22	293,920,037	216,796,919
Current Portion of Long Term Borrowings	22	3,397,826	3,397,671
- Short Term Financial Borrowings From Related Parties		3,397,826	3,397,671
Trade Payables	5	15,628,217	18,025,957
- Trade Payables To Related Parties	4	79,078	416,723
- Trade Payables To Third Parties		15,549,139	17,609,234
Deferred Income	7	10,116,377	242,418,401
- Deferred Income From Third Parties		10,116,377	242,418,401
Provisions		1,549,747	1,079,771
Short Term Portion of Provision	12	1,262,500	970,803
- Relating to Employee Benefits	11	287,247	108,968
Other Current Provisions	13	9,355,991	8,775,168
- Other Current Liabilities		9,355,991	8,775,168
Non-Current Liabilities		17,836,274	7,038,201
Financial Borrowings	22	17,306,339	6,719,830
- Long Term Financial Borrowings From Related Parties		17,306,339	6,719,830
Long Term Provision	12	529,935	318,371
- Long Term Portion of Provisions Relating to Employee Benefits		529,935	318,371
Equity		2,275,075,016	1,879,401,652
Share Capital	14	858,000,000	820,000,000
Treasury Shares	14	(24,188,879)	(23,117,578)
Shares Premium		49,945,096	49,945,096
Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss		(81,503)	13,198
- Gains on Remeasurement of Defined Benefit Plans		(81,503)	13,198
Restricted Reserves	14	42,011,650	39,266,359
Retained Earnings		954,587,570	741,185,806
Net Profit For The Period		394,801,082	252,108,771
Total Liabilities And Equity		2,626,879,485	2,376,933,740

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

(Amounts expressed in Turkish Lira (TL))

		Audited	Audited
	Notes	1 January- 31 December 2018	1 January- 31 December 2017
Revenue	15	319,158,974	82,240,682
Cost of Sales	15	(203,170,190)	(15,812,566)
Gross Profit		115,988,784	66,428,116
General Administrative Expenses (-)	17	(12,811,718)	(11,584,483)
Marketing and Selling Expenses (-)	17	(4,671,801)	(3,421,687)
Other Operating Income From Operating Activities	18	6,316,561	2,932,688
Other Operating Expenses From Operating Activities (-)	18	(1,861,940)	(4,426,514)
Operating Profit		102,959,886	49,928,120
Investment Property Revaluation Gains		306,881,143	207,300,100
Finansman Gideri Öncesi Faaliyet Karı		409,841,029	257,228,220
Finance Costs (-)	19	(15,039,947)	(5,119,449)
Profit Before Tax		394,801,082	252,108,771
Net Profit For The Period		394,801,082	252,108,771
Earnings Per Share		0,4601	0,3074
Other Comprehensive Income			
Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss		(94,701)	12,549
Gains/(Losses) on Remeasurement of Defined Benefit Plans		(94,701)	12,549
Other Comprehensive Income / (Loss)		(94,701)	12,549
Total Comprehensive Income		394,706,381	252,121,320

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

(Amounts expressed in Turkish Lira (TL))

					Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss		Accumulated Profits		
	Note	Share Capital	Treasury Shares	Share Premium	Accumulated Gains/(losses) on Remeasurement of Defined Benefit Plans	Restricted Reserves	Retained Earnings	Net Profit For The Period	Equity
Balance at 1 January 2017		790,000,000	(22,271,814)	49,945,096	649	37,486,655	667,368,102	107,667,056	1,630,195,744
Transfers		--	--	--	--	1,779,704	105,887,352	(107,667,056)	--
Total Comprehensive Income		--	--	--	12,549	--	--	252,108,771	252,121,320
Capital Increase		30,000,000	(845,764)	--	--	--	(29,154,236)	--	--
Dividends	1	--	--	--	--	--	(2,915,412)	--	(2,915,412)
Balance at 1 December 2017		820,000,000	(23,117,578)	49,945,096	13,198	39,266,359	741,185,806	252,108,771	1,879,401,652
Balance at 1 January 2018		820,000,000	(23,117,578)	49,945,096	13,198	39,266,359	741,185,806	252,108,771	1,879,401,652
Effect of policy changes in IFRS 9	2	--	--	--	--	--	(683,632)	--	(683,.)
Effect of policy changes in IFRS 15	2	--	--	--	--	--	5,343,485	--	5,343,485
Restated Balance at January 2018		790,000,000	(23,117,578)	49,945,096	13,198	39,266,359	745,845,659	252,108,771	1,884,061,505
Transfers		--	--	--	--	2,745,291	249,363,480	(252,108,771)	--
Total Comprehensive Income		--	--	--	(94,701)	--	--	394,801,082	394,706,381
Capital Increase		38,000,000	(1,071,301)	--	--	--	(36,928,699)	--	--
Dividends	1	--	--	--	--	--	(3,692,870)	--	(3,692,870)
Balance at 31 December 2018		858,000,000	(24,188,879)	49,945,096	(81,503)	42,011,650	954,587,570	394,801,082	2,275,075,016

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2018

(Amounts expressed in Turkish Lira (TL))

		Audited	Audited
	Notes	1 January- 31 December 2018	1 January- 31 December 2017
A. Cash Flows From Operating Activities			
Profit/Loss For The Year		394,801,082	252,108,771
Adjustments to Reconcile Profit/Loss For The Year			
- Adjustments Related to Depreciation and Amortization Expenses	9-10	176,142	412,293
- Adjustments Related to Provisions	11-12	280,265	327,177
- Adjustments Related to Interest Income and Expenses	15-19	8,302,226	(2,371,618)
- Adjustments Related to Fair Value Gains / Losses	8	(306,881,143)	(207,300,100)
Changes in Working Capital			
- Adjustments Related to Increase/Decrease in Inventories	6	148,982,981	(99,183,502)
- Adjustments Related to Increase/Decrease in Trade Receivables		26,529,074	(5,613,101)
- Adjustments Related to Increase/Decrease in Prepaid Expenses		(51,296,283)	(11,665,431)
- Adjustments Related to Increase/Decrease in Other Assets		(7,323,888)	(26,824,808)
- Adjustments Related to Increase/Decrease in Trade Payables		(2,397,740)	17,491,755
- Adjustments Related to Increase/Decrease in Deferred Revenue		(226,958,539)	52,357,771
- Adjustments Related to Increase/Decrease in Other Liabilities		662,735	3,599,386
Cash Generated From operations		(15,123,088)	(26,661,407)
Interest Received		5,234,204	7,276,915
Other		(157,964)	1,779
		(10,046,848)	(19,382,713)
B. Cash Flows From Investing Activities			
Cash Outflows for Purchase of Property, Plant and Equipment and Intangible Assets	9-10	(946,405)	(50,946)
Cash outflows for Investment Properties	8	(157,743,064)	(116,139,662)
Cash Inflows From Sales of Investment Properties	8	4,236,600	862,650
C. Cash Flows From Financing Activities		(154,452,869)	(115,327,958)
Proceeds From Borrowings	22	694,580,081	257,808,062
Cash Inflows From Sales of Borrowings	22	(606,870,299)	(43,443,605)
Dividends Paid	1	(3,692,870)	(2,915,412)
Interest Paid		(13,536,430)	(4,905,297)
		70,480,482	206,543,748
Net Increase/(decrease) in Cash and Cash Equivalents (A+B+C)		(94,019,235)	71,833,077
D. Cash And Cahs Equivalents At The Beginning Of The Period		122,620,763	50,787,686
Cash And Cahs Equivalents At The End Of The Period(A+B+C+D)	26	28,601,528	122,620,763

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

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira (TL))

1 - ORGANIZATION AND OPERATIONS OF THE COMPANY

The main activity of Halk Gayrimenkul Yatırım Ortaklığı AŞ (the "Company") is to invest in properties, property projects, rights on properties, property related capital market instruments and portfolio including other rights and assets as deem appropriate by the Capital Markets Board of Turkey ("CMB"). The Company and its joint operations will be referred as ("Company") in this report (additionally please see Note 2.1 and Note 3). In accordance with the relevant articles of the CMB's Communiqué on the Principles of Real Estate Investment Trusts, the main objective of the Company is to invest in properties, property projects, property rights and capital market instruments.

The operations of the Company, its portfolio management policies and limitations are consistent with the regulatory requirements of the CMB. Investment property portfolio of the Company consists of lands and rental properties which are used as bank branches and bank headquarter. The Company obtained its license to operate by the CMB's approval dated 24 September 2010 and numbered 9546, and registered in the CMB. The registered capital ceiling of the Company is TL 1,500,000,000. The paid in capital of the Company is TL 858,000,000 of which TL 196,217,979 was paid in cash whereas TL 513,282,021 was paid in kind, TL 110,500,000 was from reserves internally appropriated and TL 38,000,000 was incorporated from retained earnings.

The headquarter of the Company is registered in Şerifali Çiftliği Tatlısu Mah. Ertuğrulgazi Sok. No:1 34774 Yukarı Dudullu Ümraniye/İstanbul.

As at 31 December 2018, the number of personnel employed in the Company is 38 (31 December 2017: 40).

The Company is a subsidiary of Türkiye Halk Bankası AŞ ("Halkbank") and was registered on 18 October 2010. With the amendment dated 31 December 2009 made by the CMB the Communiqué on the Principles of Real Estate Investment Trusts, it is obligatory that the shares of trusts representing a minimum 25% of their capital be issued within three months of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, are offered to public and that they apply to the CMB with the request that all shares to be registered.

The Company has applied to the CMB on 29 August 2012 to increase the issued capital from TL 477,000,000 to TL 662,500,000 within TL 1,500,000,000 registered capital ceiling, by initial public offering of the increase of TL 185,500,000 B group bearer shares. The application was approved in accordance with the CMB's decision numbered 4/97 on 8 February 2013. During 13-15 February 2013, TL 185,500,000 B group shares offered to public by restricting the preemptive rights of the existing shareholders. After the collection of the investors demand, the Company's shares started to be traded on İstanbul Stock Exchange with HLGYO title as of 22 February 2013.

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

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

As at 14 April 2016, the Company has signed Joint Operation Agreement with Er Konut İnş. Taah. İnş. Malz. Nak. ve Mad. Tic. ve San. A.Ş. for developing a real estate project.

As at 25 May 2016, the Company increased its share capital to TL 790,000,000 by transferring TL 47,000,000 from retained earnings to the share capital.

As at 15 August 2017, the Company increased its share capital to TL 820,000,000 by transferring TL 30,000,000 from retained earnings to the share capital.

As of 8 June 2018, the Company increased its share capital to TL 858,000,000 by transferring TL 38,000,000 from prior years' profit to share capital.

As at 24 August 2017, the Company has signed a Joint Operation Agreement with Teknik Yapı Teknik Yapılar San.ve Tic.A.Ş. for developing a real estate project.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira (TL))

As at 16 March 2018 and 23 March 2018, the Company sold lease certificates with nominal value of TL 125,000,000 with a maturity date of 20 June 2018 and an interest rate of 13.40%, with a cash inflow at the amount of TL 125,000,000 from this issue. As at 20 June 2018, the Company has realized the repayment of this transaction at the amount of TL 129,345,233.

As at 30 March 2018, the Company issued finance bonds with nominal value of TL 80,000,000 with a maturity date of 19 September 2018 and an interest rate of 14.85%, with a cash inflow at the amount of TL 74,739,200 from this issue. As at 19 September 2018, the Company has realized the repayment of this transaction at the amount of TL 80,000,000.

As at 30 March 2018, the Company issued finance bonds with nominal value of TL 80,000,000 with a maturity date of 19 September 2018 and an interest rate of 14.85%, with a cash inflow at the amount of TL 74,739,200 from this issue. As at 19 September 2018, the Company has realized the repayment of this transaction at the amount of TL 80,000,000.

As at 20 June 2018, the Company issued lease certificates with nominal value of TL 125,000,000 with a maturity date of 19 September 2018 and an interest rate of 17.00%, with a cash inflow at the amount of TL 125,000,000 from this issue. As at 19 September 2018, the Company has realized the repayment of this transaction at the amount of 130,297,945.

As at 19 September 2018, the Company issued finance bonds with nominal value of TL 50,00,000 with a maturity date of 21 December 2018 and an interest rate of 28.50% with a cash inflow at the amount of TL 46,615,000, from this issue. As at 21 December 2018, the Company has realized the repayment of this transaction at the amount of 50,000,000.

As at 19 September 2018, the Company issued lease certificates with nominal value of TL 125,000,000 with a maturity date of 19 December 2018 and an interest rate of 27% with a cash inflow at the amount of TL 125,000,000 from this issue. The nominal value of TL 3,560,000 of lease certificates dated 25 September 2018 has been repurchased and has been resold on 12 October 2018. Classifications have been made at the issued amount. As at 19 December 2018, the Company has realized the repayment of this transaction at the amount of 133,414,375.

As at 19 December 2018, the Company issued lease certificates with nominal value of TL 170,00,000 with a maturity date of 16 April 2019 and an interest rate of 23.60% with a cash inflow at the amount of TL 170,000,000, from this issue.

As at 12 October 2018, the Company issued lease certificates with nominal value of TL 75,00,000 with a maturity date of 22 January 2019 and an interest rate of 27.50% with a cash inflow at the amount of TL 75,000,000, from this issue.

The details of the Company's joint operations are below:

Joint operations	Type of Activity	Main Activity Fields
Halk GYO-Vakıf GYO Adi Ortaklığı	Construction	Real Estate Construction
Halk GYO-Erkonut Adi Ortaklığı	Construction	Real Estate Construction
Teknik Yapı-Halk GYO Adi Ortaklığı	Construction	Real Estate Construction

Dividends paid:

The Company distributed dividend of TL 3,800,000 on 26 April 2018, in consideration of the decision taken at the 2017 Ordinary General Assembly held on 26 April 2018 (2017: TL 2,915,412). (The Company had dividend rebate amounting to TL 107,129 regarding the shares repurchased.) Net dividends paid amounted to TL 3,692,870.

Approval of financial statements:

Board of Directors has approved the financial statements and delegated authority for publishing it on 14 February 2019. General Assembly has the authority to modify the financial statements.



2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance in TAS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards (“TAS”) and interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

The financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013 about the “illustrations of financial statements and application guidance”.

The financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Currency Used

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

Preparation of Financial Statements in Hyperinflationary Economies

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 “ Financial reporting in Hyperinflationary Economies” (“TAS 29”) was not applied.

Comparative Information and Reclassification of Prior Period Financial Statements

Financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year financial statements, comparative information is reclassified and significant changes are disclosed if necessary.



Interests in joint operations:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly.
- Its liabilities, including its share of any liabilities incurred jointly.
- Its revenue from the sale of its share of the output arising from the joint operation.
- Its share of the revenue from the sale of the output by the joint operation.
- Its expenses, including its share of any expenses incurred jointly.

The Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the TAS applicable to the particular assets, liabilities, revenues and expenses.

2.2 Changes in Accounting Policies

This note explains the impact of the adoption of TFRS 9 Financial Instruments and TFRS 15 Revenue from Contracts with Customers on the Company's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

AUDITED NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2018

(Amounts expressed in Turkish Lira (TL))

a) Impact of Changes in Accounting Policies on the Financial Statements

As of 1 January 2018, the Company has recognized the cumulative effect due to the first application of the changes in the accounting policies as difference adjustments within the retained earnings. The comparative information regarding the previous periods were not restated. The following table shows the adjustments/reclassifications recognized in each individual line item due to application of new policies:

	Previously Reported 31 December 2017	Impact of TFRS 9	Impact of TFRS 15	Restated 1 January 2018
Assets				
Cash and Cash Equivalents	123,145,273	(258,605)	-	122,886,668
Trade Receivables	42,502,681	(425,027)	-	42,077,654
Other Assets	2,211,285,786	-	-	2,211,285,786
Total Assets	2,376,933,740	(683,632)	-	2,376,250,108
Liabilities				
Deferred Income	242,418,401	-	(5,343,485)	237,074,916
Other Liabilities	1,393,329,533	-	-	1,393,329,533
Prior Years' Profits/Losses	741,185,806	(683,632)	(5,343,485)	745,845,659
Total Liabilities	2,376,933,740	(683,632)	-	2,376,250,108

b) TFRS 9 Financial Instruments

Impact of adoption

TFRS 9 replaces the provisions of TAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of TFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.5 below. In accordance with the transitional provisions in TFRS 9, comparative figures have not been restated. The total impact on the Company's retained earnings as at 1 January 2018 is as follows:

Retained earnings - 31 December 2017	741,185,806
Expected credit loss on cash and cash equivalents	(258,605)
Increase in allowance for doubtful trade receivables	(425,027)
Adjustments to retained earnings from adoption of TFRS 9	(683,632)
Retained earnings -1 January 2018 – (with TFRS 9)	740,502,174
Cumulative effect of previous year's adjustments as per TFRS 15	5,343,485
Retained earnings 1 January 2018 – (including the effect of TFRS 9 and TFRS 15)	745,845,659

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Classification and Measurement

On 1 January 2018 (the date of initial application of TFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company.

Trade and other receivables measured at amortized cost as disclosed in (Note 5): These are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be measured at amortized cost upon the application of TFRS 9.

All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under TAS 39.

Impairment

Financial assets measured at amortized cost will be subject to the impairment provisions of TFRS 9.

Subsequent to recognition of the Company's trade receivables by applying the simplified approach as required or permitted by TFRS 9, the Company either recognizes annual credit losses for its trade receivables when there is not any significant increase in the level of credit risk or recognizes impairment for lifetime credit losses expected when there is significant increase.

c) TFRS 15 Revenue from Contracts with Customers

At the initial transition to TFRS 15 "Revenue from Contracts with Customers", the Company has recognized the standart TFRS 15 "Revenue from Contracts with Customers", which superseded TAS 18, applying the cumulative effect method, as of the initial application date at 1 January 2018. Through this method, the Company recorded the cumulative effect regarding the initial transition to TFRS 15 in the retained earnings at the application date. For this reason, the readjustment of the financial statements of previous years was not necessary and these financial statements are presented in accordance with TAS 18. The transition effect of the standart is recognized in compliance with the simplified approach. As per this transition method, the Company utilised the standart only for the contracts that are concluded as of the initial application date at 1 January 2018 and recorded the cumulative effect measured at previous year's losses. The effect of the aforementioned changes on the prior year's gains, dated 1 January 2018, is as follows:

Prior years' profit - 31 December 2017	741,185,806
Effect according to TFRS 15 Cumulative Effect Method	5,343,485
Cumulative effect of previous year's adjustments as per TFRS 15	5,343,485
Prior years' profit – 1 January 2018 -(with TFRS 15)	740,502,174
Cumulative effect of previous year's adjustments as per TFRS 9	(683,632)
Prior years' profit – 1 January 2018 – (including the effect of TFRS 9 and TFRS 15)	745,845,659



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2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates and errors are for only one period, changes are applied in the current year but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current year, there are not any material errors and changes in accounting estimate methods of the Company.

2.4 New and Revised Turkish Accounting Standards

a) Amendments and comments in effect as of 2018

TFRS 9	Financial Instruments
TFRS 15	Revenue from Contracts with Customers
Amendments to TFRS 10 and TAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to TFRS 2	Classification and Measurement of Share-Based Payment Transactions
TFRS Interpretation 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to TAS 40	Transfers of Investment Property ¹
Annual Improvements to TFRS Standards 2014–2016 Cycle	TFRS 1, TMS 28

TFRS 9 Financial Instruments

TFRS 9 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting and it supersedes TAS 39 Financial Instruments: Recognition and Measurement.

Key requirements of TFRS 9:

- All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.



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With regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The impact of TFRS 9 on the Company's financial statements are explained in Note 2.2 in detail.

TFRS 15 Revenue from Contracts with Customers

TFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. TFRS 15 will supersede the current revenue recognition guidance including TAS 18 Revenue, TAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of TFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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Under TFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by TFRS 15.

Later on Clarifications to TFRS 15 in relation to the identification of performance obligations, principal versus agent considerations were issued, as well as licensing application guidance.

The impact of TFRS 15 on the Company's financial statements are explained in Note 2.2 in detail.

Amendments to TFRS 10 and TAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Amendments to TFRS 10 and TAS 28 have no impact on Company's financial statements.

Amendments to TFRS 2 Classification and Measurement of Share-Based Payment Transactions

The amendments clarify the standard in respect of the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

Amendments to TFRS 2 have no impact on the Company's financial statements.

TFRS Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.



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The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
- If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

TFRS Interpretation 22 has no impact on the Company's financial statements.

Amendments to TAS 40 Transfers of Investment Property

The amendments to TAS 40:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

Amendments to TAS 40 have no impact on the Company's financial statements.

Annual Improvements to TFRS Standards 2014–2016 Cycle

- **TFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of TFRS 1, because they have now served their intended purpose.
- **TMS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Annual improvements to TFRS Standards 2014-2016 cycle have no impact on the Company's financial statements.



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b) New and revised TFRSs in issue but not yet effective

The Company has not applied the following new and revised TFRSs that have been issued but are not yet effective:

TFRS 16	<i>Leases</i> ¹
Amendments to TAS 28	Long-term Interests in Associates and Joint Ventures ¹
TFRS Interpretation 23	Uncertainty over Income Tax Treatments ¹

¹ Ocak 2019 tarihinden sonra başlayan hesap dönemlerinden itibaren geçerlidir.

TFRS 16 Leases

TFRS 16 specifies how a TAS reporter will recognise, measure, present and disclose leases and supersedes TAS 17 “Leases”. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with TFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, TAS 17.

Amendments to TAS 28 Long-term Interests in Associates and Joint Ventures

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

TFRS Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation clarifies how to apply the terms of recognition and measurement as per TAS 12 when there is an uncertainty over income tax treatments.

The Company evaluates the effects of these standards, amendments and improvements on the Company’s financial position and performance.







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2.5 Summary of Significant Accounting Policies

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

a) A person or a close member of that person's family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity; or,
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Revenue

Revenue is recognized when it is probable that an economic gain will be realized to the Company as a result of its operations and it is probable that the income will be measured reliably. Net sales is reduced for estimated and realized customer returns, rebates, commissions and taxes related with sales. Revenue is recognized when all the following conditions are satisfied:

Sale of Real Estate

Revenue is recognized when the the performance obligation is fulfilled as the contractually pledged real estate is transferred to the customer. When the customer acquires the control of the real estate the real estate is considered to be transferred.

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Rental income from real estate leases:

Rental income from real estates is recognized on an accrual and a straight line basis through the related lease contract. If there are other benefits to the tenants of the Company, they are recorded so as to reduce rental income during the lease term.

Dividend and interest income:

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Sale of lands

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

Sales of land by way of "Land Sale of Revenue Sharing Agreement" ("LSRSA")

The Company recognizes revenue from the sale of land by "Land Sale of Revenue Sharing Agreement" (LSRSA) when transfer of legal ownership of land is transferred to the buyer. When the legal ownership is not transferred, the Company books its share of revenue as deferred income. The Company's share in Total Sales Revenue ("TSR") is recorded as revenue from sale of land and related cost is recognised as cost of land sold in the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.



Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leases - the Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Leases - the Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (5-10 years). Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.



Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the Company borrows funds specifically for the purpose of the qualifying assets, the amount of borrowing costs eligible for capitalization is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings.

General borrowings of the Company are capitalized to the applicable qualifying assets based on a capitalization rate. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

Financial Instruments

Financial assets

At initial recognition, the Company measures a financial asset at its fair value, except for trade receivables that do not contain significant financing component. The Company measures trade receivables at their transaction price if the trade receivables do not contain a significant financing component in accordance with TFRS 15 (or when the entity applies the practical expedient) at initial recognition.

At initial recognition, the Company measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset. A regular way purchase or sale of financial assets shall be recognized using trade date accounting or settlement date accounting.

The Company shall classify financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both: (a) the Company's business model for managing the financial assets and (b) the contractual cash flow characteristics of the financial asset. When, and only when, an Company changes its business model for managing financial assets it shall reclassify all affected financial assets. If an entity reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Company shall not restate any previously recognised gains, losses (including impairment gains or losses) or interest.



Financial assets at amortized cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and,
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest revenue regarding the financial assets at amortised cost, shall be calculated by using the effective interest method. This shall be calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the entity shall apply the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.
- (b) financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the entity shall apply the effective interest rate to the amortised cost of the financial asset in subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with this Standard, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss.

The Company shall directly reduce the gross carrying amount of a financial asset and derecognizes the financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial assets at FVTOCI

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and,
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the entity shall account for the cumulative gain or loss that was previously recognised in other comprehensive income. Interest calculated using the effective interest method is recognised in profit or loss.

At initial recognition, an entity can make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

Derivatives are also categorized as FVTPL unless they are designated as hedges. These financial assets are stated at fair value and any gain or losses are recognised in profit or loss.

Impairment

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Company applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.



At each reporting date, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Company only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

The Company measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

Financial liabilities

When a financial liability is recognised initially, the Company measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

(a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies: When the Company continues to recognise an asset to the extent of its continuing involvement, the entity also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the entity has retained. The associated liability is measured in such a way that the net carrying amount of the transferred asset.

(c) contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognised in profit or loss.

The Company does not reclassify any financial liability.

Recognition and derecognition of financial assets and liabilities

The Company recognises a financial asset or a financial liability in its statement of financial position when, and only, the entity becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. An entity shall remove a financial liability from its statement of financial position when, and only, the obligation specified in the contract is discharged or cancelled or expires.

Derivative financial instruments and financial risk hedge accounting

The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

If the cash flow hedge of a firm commitment or an expected

forward transaction result in the recognition of an asset or liability, at the initial recognition of this asset or liability the gain or loss previously recognized under equity related to derivatives are included in the measurement of the initial amount of the asset or liability. In a hedge accounting that does not result in the recognition of an asset or liability, the amounts previously recognized under equity are transferred to statement of profit or loss in the period in which the hedged item has an effect on profit or loss. The changes in the fair value of derivatives that do not meet the criteria for hedge accounting are recognized in the statement of profit or loss.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for financial risk hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.



Effect of Exchange Differences

Foreign Currency Balances and Transactions

The individual financial statements of each Company entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither

planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Earnings Per Share

Earnings per share disclosed in the statement of profit or loss are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Events After the Reporting Period

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information. The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment

properties are included in the profit or loss in the year in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property that is measured at fair value to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property that is measured at fair value, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.



Income Taxes

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

According to the Corporate Tax Law Article 15/(3), the income of REITs is subject to 15% withholding tax irrespective of its distribution. The Council of Ministers has the authority to increase the withholding tax rate on REIT income to corporate income tax rate or reduce it to 0% or change it within the limits defined through publication of a Decree based on the Corporate Tax Law Article 15/(4). In accordance with New Corporate Tax Law Article 15/(2), income subject to corporate tax is also exempt from withholding tax.

According to the temporary Article (1) of the Corporate Tax Law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 are valid up to new Decrees published by the Council of Ministers. Determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

Based on the resolution of the Council of Ministers related to the withholding tax rates which were determined as 15% according to the Corporate Tax Law Article 15/(3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. Thereof, in accordance with the Article 5/1(d) (4)

of the Corporate Tax Law, real estate investment trusts earnings, regardless of the fact they are distributed or not, will be subject to 0% withholding.

Deferred tax

Since the Company is exempt from Corporate Income Tax in Turkey in accordance with the Article 5 of the Corporate Tax Law, deferred tax is not recognised.

Employee Benefits

Termination and retirement benefits:

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 (Revised) Employee Benefits ("TAS 19").

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Statement of Cash Flows

In the statement of cash flows, cash flows are classified according to operating, investing and financing activities.

Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.6 Segment Reporting

As the Company only operates in Turkey and in the field of real estate investment, there are no business segments apart from those disclosed in the notes regarding the revenue and the cost of sales and reporting details in accordance with geographic segments to be reported..

2.7 Critical Accounting Judgments and Key Sources of Estimation Uncertainty*Critical judgments in applying the entity's accounting policies*

In the process of applying the entity's accounting policies, which are described in Note 2.5, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with below):

Useful lives of property, plant and equipment

The Company reviews the estimated useful lives of its property, plant and equipment at the end of each reporting period. The Company takes into consideration the intended use of the property, plant and equipment, the advancement in technology related to the particular type of property, plant and equipment as well as other factors that may require management to extend or shorten the useful lives and the assets' related depreciation.

Determination of fair values of investment properties and investment properties under development

The fair values of investment properties are based on valuations, performed by independent valuers using certain estimates and assumptions, who hold recognized and relevant professional qualifications licensed by the CMB and who have recent experience in the location and category of the investment properties being valued. Any future changes in these estimates and assumptions may cause significant impact on the Company's financial statements.







3 - INTERESTS IN OTHER ENTITIES

Joint Operations

Shareholding of the Company in the joint operation is as follows:

	31 December 2018	31 December 2018
Halk GYO-Vakıf GYO Joint Operation	50%	50%
Halk GYO-Erkonut Joint Operation	50%	50%
Halk GYO-Teknik Yapı Joint Operation	50%	50%

Halk GYO-Vakıf GYO Adi Ortaklığı

Halk GYO-Vakıf GYO Adi Ortaklığı has founded in Turkey for operating as a joint operation with 50% shares and 50% voting rights. The Company owns 50% of the Bizimtepe Aydos Project in İstanbul. The residences in the project will be offered for sale. The financial information of Halk GYO-Vakıf GYO is summarized in the following tables. The financial information of Halk GYO-Vakıf GYO as per the shareholding and voting rights is as follows:

Halk GYO-Vakıf GYO Adi Ortaklığı	31 December 2018	31 December 2017
Current assets	93,267,604	206,892,687
Non-current assets	3,501,319	34,709,604
Current liabilities	(8,844,324)	(182,421,467)
	1 January - 31 December 2018	1 January - 31 December 2017
Income/(Expenses)	27,710,214	(2,901,639)

Halk GYO-Erkonut Adi Ortaklığı

Halk GYO-Erkonut Adi Ortaklığı has founded in Turkey for operating as a joint operation with 50% shares and 50% voting rights. The Company owns 50% of the Şehristan Project in Erzurum. The residences in the project will be offered for sale. The financial information of Halk GYO-Erkonut is summarized in the following tables. The financial information of Halk GYO-Erkonut as per the shareholding and voting rights is as follows:

Halk GYO - Erkonut Adi Ortaklığı	31 December 2018	31 December 2017
Current assets	40,093,573	70,350,910
Non-current assets	15,095	12,703,177
Current liabilities	(5,721,325)	(49,486,778)
	1 January - 31 December 2018	1 January - 31 December 2017
Income/(Expenses)	15,495,419	(56,683)



Halk GYO-Teknik Yapı Adi Ortaklığı

Halk GYO-Teknik Yapı Adi Ortaklığı has founded on 24 August 2017 in Turkey for operating as a joint operation with 50% shares and 50% voting rights. The Company owns 50% of the İzmir Project in İzmir. The residences in the project will be offered for sale. The financial information of Halk GYO-Teknik Yapı is summarized in the following tables. The financial information of Halk GYO-Teknik Yapı as per the shareholding and voting rights is as follows:

Halk GYO - Teknik Yapı Adi Ortaklığı	31 December 2018	31 December 2017
Current assets	8,151,289	3,108,217
Non-current assets	15,973,326	15,350,087
Current liabilities	(31,392,312)	(1,963,853)
Non-current liabilities	(2,987,240)	-
	1 January - 31 December 2018	1 January - 31 December 2017
Expenses	(9,053,144)	(1.252.021)

4 - RELATED PARTY DISCLOSURES

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

Details of transactions between the Company and other related parties are disclosed below:

Deposits at Halk Bank	31 December 2018	31 December 2017
Demand deposits	629,156	607,886
time deposits	28,121,306	30,720,512
Pos balance	11,132	-
	28,761,594	31,328,398
Halk Varlık Yönetimi A.Ş. lease certificate issuance(Note 22)	250,839,562	100,435,616
Short term loans received from Halk Bank (Note 22)	25,955,799	6,719,830
Long term loans received from Halk Bank(Note 22)	4,030,427	3,397,671
Halk Leasing Financial lease Agreement (Note 22)	23,999,353	-



	31 December 2018								
	Receivables		Payables			Prepaid Expenses		Investment Properties	
	Short Term		Short Term		Long Term	Short Term		Short Term	
Balances with related parties	Trade	Non-Trade	Trade	Non-Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade
Shareholders									
Halkbank A.Ş.	627	--	4,541	--	--	--	--	4,885,000	--
Related parties controlled by main shareholder									
Halk Yatırım Menkul Değ.A.Ş.	--	--	--	--	--	--	--	365,000	--
Halk Hayat ve Emeklilik A.Ş.	--	--	--	--	--	4,111	--	--	--
Halk Leasing Finansal Kiralama A.Ş. (*)	--	--	--	11,405,834	12.593.519	--	--	33,456,558	--
Halk Varlık Kiralama A.Ş.	--	--	--	250,839,562	--	--	--	23,757,071	--
Halk Sigorta A.Ş.	--	--	74,537	--	--	294,318	--	--	--
	627	--	79,078	262,245,396	12.593.519	298,429	--	62.463.629	--
	31 December 2017								
	Receivables		Payables			Prepaid Expenses		Investment Properties	
	Short Term		Short Term		Long Term	Short Term		Short Term	
Balances with related parties	Trade	Non-Trade	Trade	Non-Trade	Non-Trade	Trade	Non-Trade	Trade	Non-Trade
Shareholders									
Halkbank A.Ş.	147,177	--	6,984	--	--	--	--	422,155	--
Related parties									
Halk Yatırım Menkul Değ.A.Ş.	--	--	--	--	--	--	--	200,000	--
Halk Hayat ve Emeklilik A.Ş.	538	--	--	--	--	2,407	--	--	--
Halk Varlık Kiralama A.Ş.	--	--	373,930	100,435,616	--	--	--	358,855	--
Halk Sigorta A.Ş.	474	--	35,809	--	--	101,083	--	--	--
	148,189	--	416,723	100,435,616	--	103,490	--	981,010	--

(*) The Company signed an agreement with Buga Otis Asansör Sanayi ve Ticaret A.Ş. within the scope of service procurement for vertical transports (elevator and escalator) in Halk Towers to be built related to the project of Istanbul International Financial Center and signed financial lease agreement with Halk Finansal Kiralama A.Ş. for relevant service procurement. Assets acquired under financial leasing are recognized in investment properties with capitalized borrowing cost amounting to TL 7,421,763.



	1 January - 31 December 2018			
Transactions with related parties	Interest Income	Interest Expenses	Rent Income	Other Expenses
Shareholders				
Halkbank A.Ş.	5,440,630	5,969,724	40,607,422	256,188
Related parties controlled by main shareholder				
Halk Varlık Kiralama A.Ş.	--	5,352,871	--	--
Halk Hayat ve Emeklilik A.Ş.	--	--	59,702	16,971
Halk Leasing Finansal Kiralama A.Ş.	--	969,107	--	--
Halk Sigorta A.Ş. (*)	--	--	--	1,358,380
	5,440,630	12,291,702	40,667,124	1,631,539

(*) The amount consists of building and health insurance services from Halk Sigorta A.Ş.

	1 January - 31 December 2017			
Transactions with related parties	Interest Income	Interest Expenses	Rent Income	Other Expenses
Shareholders				
Halkbank A.Ş.	6,145,478	1,874,823	37,756,362	158,734
Related parties controlled by shareholder				
Halk Hayat ve Emeklilik A.Ş.	--	--	89,394	20,560
Halk Sigorta A.Ş.	--	--	--	886,773
	6,145,478	1,874,823	37,845,756	1,066,067

Compensation of key management personnel:

Key management personnel comprises, members of board of directors and members of execution committee, general manager and deputy general manager. Compensation of key management personnel comprises professional fees and other benefits such as; salaries, premium, healthcare insurance and transportation. The remuneration of directors and other members of key management during the period is as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Salaries and other short term benefits	1,434,490	1,246,448
	1,434,490	1,246,448





5 - TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

The details of the Company's trade receivables as of balance sheet date are as follows:

Current Trade Receivables	31 December 2018	31 December 2017
Trade receivables	9,854,608	36,555,385
Receivables from related parties (Note 4)	1,175	148,189
Allowance for doubtful receivables (-) (*)	(98,558)	--
	9,757,225	36,703,574

(*) The balance consists of expected credit loss for trade receivables calculated in accordance with TFRS 9.

Movement of Allowance for Doubtful Receivables	31 December 2018	31 December 2017
Balance at beginning of the year	(425,027)	--
Amounts written off during the year	326,469	--
Closing balance	(98,558)	--

The Company's short term trade receivables comprise sale of residences and rental income from Referans Bakırköy Project, Bizimtepe Aydos Project, Eskişehir Panorama Plus Project and Erzurum Şehristan Project respectively amounting to TL 831,222 (31 December 2017: TL 0), TL 3,929,705 (31 December 2017: TL 29,550,211), TL 1,389,173 (31 December 2017: TL 1,389,173), TL 1,029,262 (31 December 2017: TL 5,151,009), and rental receivables TL 2,676,421 (31 December 2017: TL 613,181). Rental receivables of the Company are guaranteed with guarantee letters.

As at 31 December 2018, the Company does not have trade receivables past due (31 December 2017: the Company does not have trade receivables past due).

Non-current Trade Receivables	31 December 2018	31 December 2017
Trade receivables	6,279,174	5,799,107
Allowance for doubtful receivables (-)	(62,792)	--
	6,216,382	5,799,107

The Company's long-term trade receivables comprise sale of residences at Eskişehir Panorama Plus Project and Bizimtepe Aydos Project amounting to TL 2,777,855 (31 December 2017: TL 4,166,782) and TL 3,501,319, respectively (31 December 2017: TL 1,632,325).

Explanations about the nature and level of risks related to trade receivables are provided in Note 23.

b) Trade Payables:

The details of the Company's trade payables as of balance sheet date are as follows:

Short term trade payables	31 December 2018	31 December 2017
Trade payables	15,549,139	17,609,234
Trade payables to related parties (Note 4)	79,078	416,723
	15,628,217	18,025,957

Explanations about the nature and level of risks related to trade payables are provided in Note 23.

6 - INVENTORIES

Land Stocks	31 December 2017 Cost Value	Addition	Disposal	31 December 2018 Cost Value
Referans Bakırköy Residence Project ⁽¹⁾	2,739,448	--	(2,265,491)	473,957
Panaroma Plus Residence Project ⁽²⁾	7,199,079	--	(2,565,266)	4,633,813
Sancaktepe - Residence Project ⁽³⁾	177,343,489	31,773,307	(145,518,981)	63,597,815
Erzurum - Şehristan Residence Project ⁽⁴⁾	61,669,985	11,236,985	(45,192,515)	27,714,455
İzmir Residence Project ⁽⁵⁾	3,052,403	3,548,980	--	6,601,383
Total	252,004,404	46,559,272	(195,542,253)	103,021,423

Land Stocks	31 December 2016 Cost Value	Addition	Disposal	31 December 2017 Cost Value
Referans Bakırköy Residence Project ⁽¹⁾	6,146,720	2,721,356	(6,128,628)	2,739,448
Panaroma Plus Residence Project ⁽²⁾	14,106,470	--	(6,907,391)	7,199,079
Sancaktepe - Residence Project ⁽³⁾	101,399,353	75,944,136	--	177,343,489
Erzurum - Şehristan Residence Project ⁽⁴⁾	31,168,359	30,501,626	--	61,669,985
İzmir Residence Project ⁽⁵⁾	--	3,052,403	--	3,052,403
Total	152,820,902	112,219,521	(13,036,019)	252,004,404

(1) The Company has arranged a bid to develop a project on Bakırköy Land as Land Sale of Revenue Sharing Agreement (LSRSA) and as a consequence signed a contract with a firm on 17 February 2012. The Company registered for each plot that the project takes place for construction servitude on 24 February 2014.

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

The plans of Referans Bakırköy Project, for which first construction permission was obtained as at 31 May 2012 and which is currently under construction, have been modified to provide 254 residential and 73 commercial units, as opposed to prior 256 residential and 70 commercial units and the modification permission of the revised project was approved by relevant authorities as at 19 September 2013.

(1) In 2017, in-kind sharing was realized with the contractor, leaving 27 independent units to the contractor and retaining 9 for the Company.

In 2018, transfer of 5 independent units was realized and taxes, duties and charges were included in cost of sales. Total sales was recorded as revenue in the amount of TL 1,949,715 and cost of sales in the amount of TL 1,060,088 (31 December 2017: transfer of 45 independent units, revenue in the amount of TL 14,185,847 and cost of sales relating to these sales amounting to TL 6,199,915. Cost of sales includes taxes, duties and charges).

(2) Eskişehir Odunpazarı Land which was registered with Odunpazarı/Eskişehir registry with 1452 block 89 plot and 90 plot is currently registered to 110 plot, with change at the partition plan at 22 March 2013. The Company has acquired the plot belonging to Eskişehir Municipality within new 110 plot with a cost value of TL 668,000 at 22 March 2013 and registered previously named 89 plot and 90 plot covering an area of 13,570 m2 as 110 plot. Due to new partition plan investment property is entrusted from 13,073 m2 registered as 9,811 m2. After entrusting, description of the plot has changed to land from factory building. The deeds of floor easement of 97 residential and 5 commercial units were taken as of 30 December 2014. During 2018, 4 independent units were sold amounting to TL 1,635,000 and cost of sales relating to these sales is amounting to TL 1,305,063 (As at 31 December 2017, 17 independent units were sold amounting to TL 9,748,860 and cost of sales relating to these sales amounting to TL 7,950,325). Cost of sales includes taxes, duties and charges.

In addition, the independent unit Eskişehir B Block 12 presented under Inventories were rented out on 1 June 2018 and TL 680,634 of Inventories was reclassified to Investment Properties for the relevant independent unit. The independent unit Eskişehir B Block 13 presented under Inventories were rented out on 1 October 2018 and TL 607,604 of Inventories was reclassified to Investment Properties for the relevant independent unit.

(3) As at 16 October 2014, a land in Sancaktepe/İstanbul was purchased for TL 110,000,000 by Halk GYO-Vakıf GYO Adi Ortaklığı for real estate development project. The main contractor services agreement was signed at 22 October 2015 and the construction permit was granted on 6 November 2015. There is no restriction on the land.

As of 31 December 2018, the independent units were gradually delivered and 753 independent units have been delivered so far after the relevant transactions were completed. Total sale of TL 187,395,433 was recognized and TL 148,395,114 was accounted for in cost of sales. In 2018, the deed transfer process of 601 independent units has been completed (2017: None).

(4) As at 1 April 2016, a land in Yakutiye /Erzurum was purchased for TL 17,500,000 by Halk GYO-Erkonut Adi Ortaklığı for real estate development project. The main contractor services agreement was signed at 31 May 2016 and the construction permit was granted on 10 May 2016. There is no restriction on the land. As of 31 December 2018, the independent units were gradually delivered and 404 independent units have been delivered so far after the relevant transactions were completed. Total sale of TL 61,944,577 was recognized and TL 46,136,315 was accounted for in cost of sales. In 2018, the deed transfer process of 357 independent units has been completed (2017: None).

(5) As at 24 August 2017, Halk GYO and Teknik Yapı Adi Ortaklığı signed a LSRSA contract for a mixed project on the parcels located in İzmir, Konak Province, Umurbey and Kuruçay districts and this amount comprise of the official expenses made for the project. There is no restriction on the land. First stage within the scope of Land Sale of Revenue Sharing Agreement (Evora İzmir), construction permits belong to 451 residences stated in 7700 land 1 parcel purchased on 27 September 2018. As of 31 December 2018 sales commitment agreements were signed for 38 independent units.



7 - PREPAID EXPENSES AND DEFERRED INCOME

Short Term Prepaid Expenses	31 December 2018	31 December 2017
Prepaid Insurance Expenses (Note 4)	298,429	103,490
Other	349,148	214,822
	647,577	318,312

Long term prepaid expenses	31 December 2018	31 December 2017
Investment Advances (*)	118,780,712	67,861,990
Other	48,296	--
	118,829,008	67,861,990

(*) As at 31 December 2018, the advances given comprise those given to the main contractor and the project management contractors of the IFC Project amounting to TL 102,981,318 (31 December 2017: TL 48,322,828), Izmir Project amounting to TL 15,776,089 (31 December 2017 TL 15,240,000), Sancaktepe Project amounting to TL 0 (31 December 2017: TL 1,633,304), Erzurum Şehristan Project amounting to TL 15,095 (31 December 2017: TL 1.821.587), Caddebostan Project amounting to TL 8,210 (31 December 2017: TL 844,271).

Short Term Deferred Income	31 December 2018	31 December 2017
Deferred residential sale income ⁽¹⁾	10,102,627	242,418,401
Other	13,750	--
	10,116,377	242,418,401

(1) Deferred residential sale income consist of TL 710,592 (31 December 2017: TL 8,090,455) generated from the sales of residences from LSRSRA project realized on the estate located in Bakırköy and TL 21,945 (31 December 2017: TL 6,129,127) generated from the sales of residence project realized from Eskişehir-Odunpazarı Project. As per the Company's LSRSRA agreement, 50.5% share of the revenue from sales is collected by the Company. As of 31 December 2018, of the total 327 units of the project which consists of 254 residential and 73 commercial units 325 units have been sold for TL 215,3 Million (excluding advances from contractor) and transfer of title deeds has been completed for 315 residential units with the sales value of TL 209 Million.

(31 December 2017: 322 units have been sold for TL 213.8 Million, excluding advances from contractor, and transfer of title deeds has been completed for 285 residential units with the sales value of TL 195.5 Million). Additionally the balance includes advances received for sales of residence project on Eskişehir-Odunpazarı land amounting to TL 21.945 (31 December 2017: TL 6.129.217).

Deferred income consist of TL 5,444,637 and TL 1,017,775 (31 December 2017: TL 181,370,957, TL 47,107,334) generated from the sales of residences from Bizimtepe Aydos Project and Erzurum Şehristan Project, respectively. The Company has signed preliminary sales contracts for 773 residential units from total units of 1,037 residential and 48 commercial units for Bizimtepe Aydos Project and sales 403 residential and 6 commercial units from total units of 632 residential and 13 commercial units for Erzurum Şehristan Project.



8 - INVESTMENT PROPERTIES

Fair value measurement of the Company's investment properties

The fair value of the Company's investment properties as at 31 December 2018 have been arrived at on the basis of a valuation carried out on the respective dates by A Artıbir Gayrimenkul Değerleme A.Ş., independent valuers not related to the Company. A Artıbir Gayrimenkul Değerleme A.Ş., which is authorized by the CMB with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair values of the lands were determined based on the market comparable approach and cost value.

There has been no change to the valuation technique during the period.

In estimating the fair value of the properties, the highest and best value in use of the properties is considered.

Details of the Company's investment properties and information about the fair value hierarchy as at 31 December 2018 and 31 December 2017 are as follows:

	Fair value as at 31 December 2018			
	31 December 2018	Level 1 TL	Level 2 TL	Level 3 TL
Land	7,286,000	--	7,286,000	--
Buildings	1,098,187,635	--	1,098,187,635	--
Investment properties under development	1,183,298,775	--	1,183,298,775	--
	2,288,772,410	--	2,288,772,410	--

	Fair value as at 31 December 2017			
	31 December 2017	Level 1 TL	Level 2 TL	Level 3 TL
Buildings	927,752,212	--	927,752,212	--
Investment properties under development	900,632,591	--	900,632,591	--
	1,828,384,803	--	1,828,384,803	--

There were no transfers between Level 1 and Level 2 during the year.

As of 31 December 2018, the total amount of insurance on investment properties is TL 1,791,914,981 (31 December 2017: TL 258,524,795). As of 31 December 2018, the total amount of capitalized interest expenses on investment properties is TL 33,889,009 (31 December 2017: TL 394,879).

Investment properties	31 December 2017 Fair Value	Addition	Disposal	Fair Value Difference	31 December 2018 Fair Value
İstanbul Salıpazarı Land	--	5,178,343	--	2,107,657	7,286,000
Total Land	--	5,178,343	--	2,107,657	7,286,000
İstanbul Karaköy Building	36,000,000	--	--	1,825,000	37,825,000
İstanbul Salıpazarı Building	59,728,296	5,550,542	--	15,777,162	81,056,000
İzmir Konak Building - 1	27,156,000	--	--	1,638,550	28,794,550
Ankara Kızılay Building	17,013,475	--	--	1,701,348	18,714,823
İstanbul Beyoğlu Building	26,473,003	--	--	2,268,666	28,741,669
İstanbul Beşiktaş Building	19,465,000	--	--	1,881,000	21,346,000
İstanbul Etiler Building	18,440,000	--	--	2,086,000	20,526,000
İstanbul Şişli Building	16,262,529	--	--	2,581,875	18,844,404
İzmir Konak Building - 2	16,090,500	--	--	96,296	16,186,796
Ankara Başkent Building	11,854,750	--	--	787,800	12,642,550
İstanbul Bakırköy Building	23,548,000	--	--	1,606,333	25,154,333
Bursa Building	14,400,400	--	--	1,709,600	16,110,000
Ankara Bahçelievler Building - 1	9,863,250	--	--	907,420	10,770,670
Kocaeli Building	12,521,000	--	--	579,920	13,100,920
İstanbul Fatih Building	12,477,083	--	--	998,167	13,475,250
Sakarya Adapazarı Building	12,525,000	--	--	(1,545,301)	10,979,699
Ankara Bahçelievler Building - 2	8,100,000	--	--	900,000	9,000,000
İstanbul Ataköy Building	12,463,200	--	--	491,466	12,954,666
İstanbul Nişantaşı Building	9,514,000	--	--	774,500	10,288,500
Halkbank Finance Tower	209,450,640	--	--	18,934,646	228,385,286
Park Dedeman Levent Hotel	176,319,803	--	--	69,818,197	246,138,000
Kocaeli Şekerpınar Block A	98,016,800	--	--	39,756,986	137,773,786
Eskişehir Panaroma Plus Project - Block D	4,236,600	--	(4,236,600)	--	--
Eskişehir Panaroma Plus Project - Block B1	--	--	--	--	--
Kocaeli Şekerpınar Office Project	75,832,883	163,896	--	1,998,533	77,995,312
Eskişehir B12 apartment	--	680,634	--	(386)	680,248
Eskişehir B13 apartment	--	607,604	--	95,569	703,173
Total Buildings	927,752,212	7,002,676	(4,236,600)	167,669,347	1,098,187,635
İstanbul Financial Center Project	888,120,000	143,620,643	--	127,254,357	1,158,995,000
İstanbul Caddebostan Building Project	12,512,591	1,941,402	--	9,849,782	24,303,775
Total Investment Properties Under Development	900,632,591	145,562,045	--	137,104,139	1,183,298,775
Total	1,828,384,803	157,743,064	(4,236,600)	306,881,143	2,288,772,410



Investment Properties	31 December 2016 Fair Value	Addition	Disposal	Fair Value Difference	31 December 2017 Fair Value
İstanbul Karaköy Building	32,600,000	--	--	3,400,000	36,000,000
İstanbul Salıpazarı Building	49,362,000	10,169,935	--	196,361	59,728,296
İzmir Konak Building - 1	25,130,000	--	--	2,026,000	27,156,000
Ankara Kızılay Building	17,013,475	--	--	--	17,013,475
İstanbul Beyoğlu Building	24,555,000	--	--	1,918,003	26,473,003
İstanbul Beşiktaş Building	18,320,000	--	--	1,145,000	19,465,000
İstanbul Etiler Building	16,766,000	--	--	1,674,000	18,440,000
İstanbul Şişli Building	15,135,034	--	--	1,127,495	16,262,529
İzmir Konak Building - 2	14,842,000	--	--	1,248,500	16,090,500
Ankara Başkent Building	11,854,750	--	--	--	11,854,750
İstanbul Bakırköy Building	21,500,350	--	--	2,047,650	23,548,000
Bursa Building	13,200,000	--	--	1,200,400	14,400,400
Ankara Bahçelievler Building - 1	9,860,000	--	--	3,250	9,863,250
Kocaeli Building	11,862,000	--	--	659,000	12,521,000
İstanbul Fatih Building	11,253,750	--	--	1,223,333	12,477,083
Sakarya Adapazarı Building	10,875,000	--	--	1,650,000	12,525,000
Ankara Bahçelievler Building - 2	8.100.000	--	--	--	8,100,000
İstanbul Ataköy Building	11,260,000	--	--	1,203,200	12,463,200
İstanbul Nişantaşı Building	8,549,250	--	--	964,750	9,514,000
Halkbank Finance Tower	186,636,280	--	--	22,814,360	209,450,640
Park Dedeman Levent Hotel	165,378,233	--	--	10,941,570	176,319,803
Kocaeli Şekerpınar Block A	88,704,000	--	--	9,312,800	98,016,800
Eskişehir Panaroma Plus Project - Block D	4,199,760	--	--	36,840	4,236,600
Eskişehir Panaroma Plus Project - Block B1	862,650	--	(862,650)	--	--
Kocaeli Şekerpınar Office Project	70,300,584	241,889	--	5,290,410	75,832,883
Total Building	848,120,116	10,411,824	(862,650)	70,082,922	927,752,212
İstanbul Financial Center Project	646,462,575	105,717,012	--	135,940,413	888,120,000
İstanbul Caddebostan Building Project	11,225,000	10,826	--	1,276,765	12,512,591
Total Investment Properties Under Development	657,687,575	105,727,838	--	137,217,178	900,632,591
Total	1,505,807,691	116,139,662	(862,650)	207,300,100	1,828,384,803

Buildings

İstanbul Karaköy Building

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

The value of the investment property has been determined as TL 23,500,000 according to the report dated 13 November 2009 prepared by real estate appraisal company licensed by the CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Karaköy Building was determined as TL 37,825,000 according to market comparable approach based on the report dated 10 December 2018 prepared by real estate appraisal company licensed by the CMB. There is no restriction on the investment property. The Company rented this property to Halkbank.). The Company recognized TL 170,579 of costs for the period 1 January 2017 - 31 December 2018 (1 January – 31 December 2017: TL 38,346). As of 23 October 2017, the rental agreement was terminated and there were not any lease transaction after that date.

İstanbul Salıpzararı Building

İstanbul Salıpzararı Building is registered with Beyoğlu/İstanbul Kılıçali neighbourhood with 57 city block and 14th plot with 1,196 m2 at the deed register.

The value of the investment property was determined as TL 22,000,000 according to the report dated 13 November 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Salıpzararı Building was determined as TL 81,056,000 according to the market comparable approach based on the report dated 28 December 2018 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company earned TL 5,622,266 of rental income for the period 1 January 2017 - 31 December 2018 (1 January – 31 December 2017: TL 1,506,411). The Company recognized TL 779,182 of costs for the period 1 January 2017 - 31 December 2018 (1 January – 31 December

2017: TL 165,532). The Company signed an agreement with Beril Otelcilik Turizm ve Tic. Ltd. Şti. to rent Salıpzararı Building as a hotel. The alterations permit was granted on 6 January 2017 and the transformation process to renovate it as a hotel is ongoing. On 3 August 2018 the construction permit for the building has been obtained.

İzmir Konak Building - 1

İzmir Konak Corporate Building is registered with Konak/İzmir Akdeniz neighbourhood with 971 city block and 17rd plot with 739 m2 at the deed register. Construction servitude has not been established with the deed registrar for the independent sections of the property.

The value of the investment property has been determined as TL 13,400,000 according to the report dated 9 December 2009 prepared by real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Konak Corporate Building was determined as TL 28,794,550 according to the market comparable approach based on the report dated 28 December 2018 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 1,604,776 of rental income for the period 1 January - 31 December 2018 (1 January – 31 December 2017: TL 1,355,171). The relevant property has incurred expenses amounting to TL 96,604 in the reporting period of 2018 (1 January – 31 December 2017: TL 35,199).

Ankara Kızılay Building

Ankara Kızılay Building is registered with Çankaya/Ankara Cumhuriyet neighbourhood with 1064 city block and 14th plot with 272 m2 at the deed register as apartment block.

The value of the investment property was determined as TL 12,475,237 according to the report dated 11 February 2010 prepared by the experts assigned by the Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Kızılay Building

and Service Building was determined as TL 18,714,823 according to the market comparable approach based on the report dated 28 December 2018 prepared by real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company has rented this property to HalkBank. The Company earned TL 1,620,060 of rental income for the period of 1 January – 31 December 2018 (1 January – 31 December 2017: TL 1,368,077). The relevant property has incurred expenses amounting to TL 90,159 in the reporting period of 2018 (1 January – 31 December 2017: TL 25,970).

İstanbul Beyoğlu Building

İstanbul Beyoğlu Building is registered with Beyoğlu/İstanbul Hüseyinağa neighbourhood with 338 city block and 8th plot with 195 m2 office building with certain depth, and altitude height of 5.5 meter at the deed register, also with a public passage right under the name of İstanbul Municipality.

The value of the investment property was determined as TL 12,000,000 according to the report dated 9 December 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Beyoğlu Building was determined as TL 28,741,669 according to the market comparable approach based on the report dated 28 December 2018 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented 2nd, 3rd, 4th, 5th and 6th floors of this property to Turkish Treasury and other divisions to Halkbank. The Company earned TL 1,415,812 of rental income for the period 1 January – 31 December 2018 (1 January – 31 December 2017: TL 1,510,810). The relevant property has incurred expenses amounting to TL 156,871 in the reporting period of 2018 (1 January – 31 December 2017: TL 53,408). The rental agreement with Republic of Turkey Prime Ministry Undersecretariat of Treasury ("Turkish Treasury") has been terminated as of 1 April 2018.

İstanbul Beşiktaş Building

İstanbul Beşiktaş Building is registered to Beşiktaş/İstanbul Sıranpaşa neighbourhood with 291 city block and 93rd plot with 267 m2 building at the deed register.

The value of the investment property was determined as TL 11,893,840 according to the report dated 12 January 2010 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 27 October 2010 by Halkbank. The fair value of Beşiktaş Building was determined as TL 21,346,000 according to the market comparable approach based on the report dated 21 December 2018 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 1,528,358 of rental income for the period 1 January – 31 December 2018 (1 January – 31 December 2017: TL 1,290,639). The relevant property has incurred expenses amounting to TL 76,203 in the reporting period of 2018 (1 January – 31 December 2017: TL 12,655).

İstanbul Etiler Building

İstanbul Etiler Building is registered to Beşiktaş/İstanbul 1st Region with 578 city block and 3rd plot with 617 m2 residential house at the deed register.

The value of the investment property was determined as TL 11,000,000 according to the report dated 13 November 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 27 October 2010 by Halkbank. The fair value of Etiler Building was determined as TL 20,526,000 according to the market comparable approach based on the report dated 21 December 2018 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 1,192,120 of rental income for the period 1 January – 31 December 2018 (1 January – 31 December 2017: TL 1,006,698). The relevant property has incurred expenses

amounting to TL 428,937 in the reporting period of 2018 (1 January – 31 December 2017: TL 21,935).

İstanbul Şişli Building

İstanbul Şişli Building is registered with Şişli/İstanbul Meşrutiyet neighbourhood with, 129 plate, 954 city block and 62nd plot with 200 m2 block apartment at the deed register.

The value of the investment property was determined as TL 11,000,000 according to the report dated 9 December 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Şişli Building was determined as TL 18,844,404 according to the market comparable approach based on the report dated 28 December 2018 prepared by real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 1,176,836 of rental income for the period 1 January - 31 December 2018 (1 January – 31 December 2017: TL 993,792). The relevant property has incurred expenses amounting to TL 87,642 in the reporting period of 2018 (1 January – 31 December 2017: TL 28,965).

İzmir Konak Binası-2

İzmir Konak Building is registered with Konak/İzmir Akdeniz neighbourhood with 2802 city block and 15rd plot with 616 m2 building at the deed register.

The value of the investment property was determined as TL 10,290,000 according to the report dated 9 December 2009 prepared by a real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Konak Building was determined as TL 16,186,796 according to the market comparable approach based on the report dated 28 December 2018 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented a part of

the investment property to Halkbank and other part to Halk Hayat ve Emeklilik A.Ş. The Company earned TL 1,069,923 of rental income for the period 1 January - 31 December 2018 (1 January – 31 December 2017: TL 841,191). The relevant property has incurred expenses amounting to TL 437,232 in the reporting period of 2018 (1 January – 31 December 2017: TL 52,133).

Ankara Başkent Building

Ankara Başkent Building is registered with Çankaya/Ankara Cumhuriyet neighbourhood with 1046 city block and 27th plot with 205 m2 block apartment at the deed register.

The value of the investment property was determined as TL 9,541,729 according to the report dated 11 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Başkent Building was determined as TL 12,642,550 according to the market comparable approach based on the report dated 21 December 2018 prepared by a real estate appraisal company licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank and Ceda Akaryakıt. The Company earned TL 1,290,107 of rental income for the period 1 January - 31 December 2018 (1 January – 31 December 2017: TL 1,103,388). The relevant property has incurred expenses amounting to TL 64,934 in the reporting period of 2018 (1 January – 31 December 2017: TL 53,961).

İstanbul Bakırköy Building

İstanbul Bakırköy Building is registered with Bakırköy/İstanbul Zeytinlik neighbourhood with 101 city block and 29th plot with 213 m2 eight-storey apartment at the deed register.

The value of the investment property was determined as TL 9,023,500 according to the report that was prepared at 5 February 2010 by the experts assigned by Commercial Court and it was devolved as capital in kind at 28 October 2010 by Halkbank. According to 27 December 2018 dated report of a real estate valuation firm licensed by the CMB, the fair value of Bakırköy Building was determined as TL 25,154,333 according to the market comparable approach. There is no restriction on this investment property. The Company has rented this property to Halkbank. The Company earned TL 1,681,194 of rental income for the period 1 January - 31 December 2018 (1 January – 31 December 2017: TL 1,419,703). The relevant property has incurred expenses amounting to TL 60,493 in the reporting period of 2018 (1 January – 31 December 2017: TL 11,616).

Bursa Building

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

The value of the investment property has been determined as TL 8,500,000 according to the report dated 11 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Bursa Building was determined as TL 16,110,00 according to market comparable approach based on the report dated 27 December 2018 prepared by real estate appraisal company licensed by CMB. There is no restriction on the investment property. The Company rented this property to Halkbank. The Company earned TL 1,127,929 of rental income for the period 1 January - 31 December 2018 (1 January – 31 December

2017: TL 952,492). The relevant property has incurred expenses amounting to TL 296,297 in the reporting period of 2018 (1 January – 31 December 2017: TL 13,280).

Ankara Bahçelievler Building - 1

Ankara Bahçelievler Building-1 is registered with Çankaya/Ankara Yukarı Bahçelievler neighbourhood with 2758 city block and 29th plot with 612 m2 five-storey apartment at the deed register.

The value of the investment property was determined as TL 6,681,356 according to the report dated 11 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Ankara Bahçelievler Building was determined as TL 10,770,670 according to the market comparable approach based on the report dated 20 December 2018 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 851,296 of rental income for the period 1 January - 31 December 2018 (1 January – 31 December 2017: TL 718,886). The relevant property has incurred expenses amounting to TL 106,672 in the reporting period of 2018 (1 January – 31 December 2017: TL 5,201).

Kocaeli Building

Kocaeli Building is registered with İzmit/Kocaeli Ömerağa neighbourhood with 870 city block and 48th plot with 284 m2 building at the deed register.

The value of the investment property was determined as TL 6,519,193 according to the report dated 12 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Kocaeli Building was determined as TL 13,100,920 according to the market comparable approach based on the report dated 27 December 2018 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company

earned TL 1,069,851 of rental income for the period 1 January - 31 December 2018 (1 January – 31 December 2017: TL 903,447). The relevant property has incurred expenses amounting to TL 45,628 in the reporting period of 2018 (1 January – 31 December 2017: TL 10,706).

İstanbul Fatih Building

İstanbul Commercial Building is registered with Fatih/İstanbul Hobyar neighbourhood with 418 city block and 2nd plot with 208 m2 bank building at the deed register.

The value of the investment property was determined as TL 6,380,000 according to the report dated 9 December 2009 prepared by real estate appraisal firm licensed by the CMB and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Fatih Building was determined as TL 13,475,250 according to the market comparable approach based on the report dated 27 December 2018 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 764,179 of rental income for the period 1 January - 31 December 2018 (1 January – 31 December 2017: TL 645,320). The relevant property has incurred expenses amounting to TL 64,477 in the reporting period of 2018 (1 January – 31 December 2017: TL 27,794).

Sakarya Adapazarı Building

Sakarya Adapazarı Building is registered with Adapazarı/Sakarya Cumhuriyet neighbourhood with 130 city block and 167th plot with 3,000 m2 building at the deed register.

The value of the investment property was determined as TL 5,960,000 according to the report dated 11 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Adapazarı Building was determined as TL 10,979,699 according to the market comparable approach based on the report dated 28 December 2018 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 769,203 of rental income for the period 1 January - 31 December 2018 (1 January – 31 December 2017: TL 825,106). The relevant property has incurred expenses amounting to TL 44,047 in the reporting period of 2018 (1 January – 31 December 2017: TL 19,129).

Ankara Bahçelievler Building - 2

Ankara Bahçelievler Building-2 is registered with Çankaya/Ankara Yukarı Bahçelievler neighbourhood with 2763 city block and 10th plot with 610 m2 apartment at the deed register.

The value of the investment property was determined as TL 5,684,746 according to the report dated 11 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Bahçelievler Building was determined as TL 9,000,000 according to the market comparable approach based on the report dated 10 December 2018 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Koton Mağazacılık Tekstil Sanayi ve Ticaret A.Ş. ("Koton"). The Company earned TL 0 of

rental income for the period 1 January - 31 December 2018 (1 January – 31 December 2017: TL 281,751). As at 24 May 2017, the rent agreement with Koton was terminated and there were not any lease contracts signed related to this investment property after that date. The relevant property has incurred expenses amounting to TL 32,779 in the reporting period of 2018 (1 January – 31 December 2017: TL 2,956).

İstanbul Ataköy Building

İstanbul Ataköy Building is registered with Bakırköy/İstanbul Kartaltepe neighbourhood with 115 city block and 174th plot with 515 m2 bank building at the deed register.

The value of the investment property was determined as TL 5,061,500 according to the report dated 5 February 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Ataköy Building was determined as TL 12,954,666 according to the market comparable approach based on the report dated 27 December 2018 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 943,761 of rental income for the period 1 January - 31 December 2018 (1 January – 31 December 2017: TL 796,970). The relevant property has incurred expenses amounting to TL 39,543 in the reporting period of 2018 (1 January – 31 December 2017: TL 26,959).

İstanbul Salıpazarı Land

İstanbul Salıpazarı Land is registered with Beyoğlu/İstanbul Kılıçlı neighbourhood with 57 city block and 15th plot 235.50 m2 land at the deed register.

The value of the investment property was determined as TL 5,000,000 according to the report dated 12 December 2017 prepared by a real estate appraisal firm licensed by the CMB and there is no restriction on this investment property.

The Company has included the land in its portfolio as at 26 January 2018 with a value of TL 5.178.343.

The fair value of İstanbul Salıpazarı Land was determined as TL 7,286,000 according to the report dated 10 December 2018 prepared by a real estate appraisal firm licensed by the CMB. The land has been included in the Company's portfolio as of 26 January 2018.

İstanbul Nişantaşı Building

İstanbul Nişantaşı Building is registered with Şişli/İstanbul Halaskargazi neighbourhood with 680 city block and 14th plot 221.50 m2 eight-storey restaurant building at the deed register. Related property is classified as a cultural asset that is needed to be protected.

The value of the investment property was determined as TL 5,000,000 according to the report dated 12 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 2 November 2010 by Halkbank. The fair value of Nişantaşı Building was determined as TL 10,288,500 according to the market comparable approach based on the report dated 21 December 2018 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property. The Company rented this property to Halkbank. The Company earned TL 641,911 of rental income for the period 1 January - 31 December 2018 (1 January – 31 December 2017: TL 542,068). The relevant property has incurred expenses amounting to TL 110,957 in the reporting period of 2018 (1 January – 31 December 2017: TL 7,526).



Halkbank Finance Tower

Halkbank Finance Tower is registered with Ataşehir/Küçükbakkalköy neighbourhood with 3332 city block and 24th plot with 7,995 m2 land at the deed register. The investment property has been purchased from the K Yapı Gayrimenkul Geliştirme İnş. San. ve Dış Tic. A.Ş. Due to the related agreement, the payment of half of the cost value of TL 72,275,000, including VAT, has been made concurrent to the transfer of 103 deeds with servitude rights. 25% of the sale price amounting to TL 36,137,500 was paid on 13 June 2012 and the last 25% of sale price amounting to TL 33,237,500 was paid on 30 July 2012. The remaining payment of TL 2,900,000 on the purchase is offset against the other transactions with the K Yapı Gayrimenkul Geliştirme İnş. San. ve Dış Tic. A.Ş. With the payment of first part, the deed registration fee of TL 2,070,600, settling registration expenses of TL 509,253 and finance cost of TL 1,466,224 for the loan related with this acquisition are added to the land and building costs. TL 150,000,000 of mortgage has been given as collateral for the loan which was obtained for financing Halkbank Finance Tower construction from Halkbank. The fair value of Halkbank Finance Tower was determined as TL 228,385,286 according to the market comparable approach based on the report dated 27 December 2018 prepared by a real estate appraisal firm licensed by the CMB. The Company rented this property to T. Halk Bankası A.Ş. The Company has recognized TL 15,750,000 of rental income for the period 1 January - 31 December 2018 (1 January - 31 December 2017: TL 15,165,760). The relevant property has incurred expenses amounting to TL 3,585,024 in the reporting period of 2018 (1 January - 31 December 2017: TL 351,834).

Park Dedeman Levent Hotel

Levent Land is registered with Mecidiyeköy/Şişli neighbourhood with 1957 city block and 6th plot with 2,791 m2 at the deed register. The value of the

investment property was determined as TL 25,799,000 according to the report dated 22 February 2010 by the experts assigned by Commercial Court and transferred to the Company as capital in kind on 3 November 2010 by Halkbank. The Hotel Project on the land has been started with the agreement between Dedeman Turizm Yönetimi A.Ş. The fair value of Park Dedeman Levent Hotel was determined as TL 246,138,000 according to the cost approach based on the report dated 13 December 2018 prepared by a real estate appraisal firm licensed by the CMB. There is no restriction on this investment property.

The Company rented this property to Dedeman Turizm Yönetimi A.Ş. The Company has recognized TL 14,175,000 of rental income for the period 1 January - 31 December 2018 (1 January - 31 December 2017: TL 10,500,000). The relevant property has incurred expenses amounting to TL 1,368,282 in the reporting period of 2018 (1 January - 31 December 2017: TL 134,780).

Kocaeli Şekerpınar Block A

Şekerpınar Block A is registered with Şekerpınar/Kocaeli neighbourhood with 420 block and 26 plot. There is no restriction on this investment property. Occupancy permit for Şekerpınar Block A was received as of 14 October 2015. Within the frame of the memorandum of understanding signed with Halkbank on 21 May 2015, a 10-year lease agreement has been signed to be valid commencing on 15 April 2015 with an amount of TL 442,625+VAT. The fair value of the investment property, Şekerpınar Banking Center, was determined as TL 137,773,786 according to the cost approach based on the report dated 27 December 2018 prepared by a real estate appraisal firm licensed by the CMB.

The Company has recognized TL 6,677,948 of rental income for the period 1 January - 31 December 2018 (1 January - 31 December 2017: TL 5,980,045). The relevant property has incurred expenses

amounting to TL 272,814 in the reporting period of 2018 (1 January - 31 December 2017: TL 193,397).

Eskişehir- Panaroma Plus Residential Project Flat B12

Eskişehir Block B is registered with Odunpazarı/Eskişehir neighbourhood with 13,124 block and 1 plot. There is no restriction on this investment property. Occupancy permit for Eskişehir Block B was received as of 2 November 2015. The Company signed an lease agreement amounting to TL 2,750 +VAT with real person and the leasing period has been started at 01 June 2018. The fair value of this investment property was determined as TL 680,248 according to the market value approach based on the report dated 28 December 2018 prepared by a real estate appraisal firm licensed by the CMB. The Company earned TL 19,250 of rental income for the period 1 January - 31 December 2018 (1 January - 31 December 2017: TL 0).

Eskişehir– Panaroma Plus Residential Project - D Blok

Eskişehir Block D is registered with Odunpazarı/Eskişehir neighbourhood with 13,124 block and 1 plot. There is no restriction on this investment property. Occupancy permit for Eskişehir Block D was received as of 28 August 2015. The Company signed 10-year lease agreement with Migros Ticaret A.Ş. on 20 August 2015. Within the frame of related lease agreement, starting date of lease is determined as the same date of the store opening. The fair value of this investment property was determined as TL 4,236,600 according to the market value approach based on the report dated 28 December 2017 prepared by a real estate appraisal firm licensed by the CMB. The Company earned TL 0 of rental income for the period 1 January - 31 December 2018 (1 January – 31 December 2017: TL 65,266). The Company has signed a sale commitment agreement for the related property on 26 April 2017 and the title deed has not been transferred. The Company has recognized the relevant property as an adjustment in the opening balance of prior years' profit (or other appropriate equity component) in the financial statements for the annual reporting period comprising the initial application of cumulative effect arising from the first adoption of the standard in accordance with paragraph C3 clause (b) and paragraph C7 under TFRS 15 "Revenue from Contracts with Customers".

Eskişehir– Panaroma Plus Residential Project –Block B17

Eskişehir Block B is registered with Odunpazarı/Eskişehir neighbourhood with 13,124 block and 1 plot. There is no restriction on this investment property. Occupancy permit for Eskişehir Block B was received as of 2 November 2015. The Company signed a lease agreement amounted to TL 6,000+VAT with a real person on 1 November 2015. The fair value of the investment property was determined as TL 862,650 according to the market value approach based on the report dated 19 December 2016 prepared by a real estate appraisal firm licensed by the CMB. The Company earned TL 0 of rental income for the period 1 January - 31 December 2018 (1 January – 31 December 2017: TL 71,616). The relevant property was sold on 7 December 2017.

Kocaeli Şekerpinar Office Project

Şekerpinar land is registered with Şekerpinar/Kocaeli neighbourhood with 420 block and 26 plot with 15,562 m2 land at the deed register. There is no restriction on this investment property. The Company has signed an agreement for the architectural design of office buildings on the land due to construction a building for banking operational centre, and licence is received for the first and second zone as at 28 August 2013 and 28 March 2014, respectively. First zone of the Project, Block A, has been completed and classified as a building.

The fair value of second stage of the Project, Block B, was determined as TL 77,995,312, according to the current completion level based on the report dated 27 December 2018 prepared by a real estate appraisal firm licensed by the CMB. The relevant property has incurred expenses amounting to TL 358,031 in the reporting period of 2018 (1 January – 31 December 2017: TL 224,608).

Investment properties under construction

Istanbul Financial Center Project

Ataşehir Land is registered with Ümraniye/İstanbul Küçükbakkalköy neighbourhood with 3328 city block and 3rd plot with 28,732 m2 at the deed register. The value of the investment property was determined as TL 229,846,920 according to the report dated 18 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 28 October 2010 by Halkbank. The fair value of Ataşehir Land has been determined as TL 1,158,995,000 according to the cost value method based on the report dated 27 December 2018 prepared by a real estate appraisal firm licensed by the CMB. The Company applied for construction licence on 31 December 2014. Financial Center (IFC) project is developed under the coordination of the Ministry of Environment and Urbanisation of Turkish Republic. A protocol and initial memorandum is signed between the Company and the Ministry regarding the administration process of the IFC project. At 25 December 2012, previous 3323 city block and 3rd plot of the Company has been revised at the new partition plan of the Project and new land is registered as 3328 block 4th plot and 3328 block 11th plot. Plots have surface area of 16,337 m2 and 12,395 m2, 135,835 m2 and 102,953 m2 above podium constructions areas respectively as 3328 block 4th plot and 11th plot are parcelled from previous 3323 block 3rd plot and total construction area of the Company on the Land is protected during the partition. At 10 June 2015, the construction permits for the IFC was granted for the combined use (office&commercial) project. The main contractor agreement was signed for the IFM project on 8 December 2016, and the construction is ongoing as of the date of this report.

Operating leases

The Company as lessor

The Company has signed operating lease agreements with Halkbank, Koton, Halk Hayat ve Emeklilik, Turkish Treasury, Migros, Ceda Akaryakıt Turizm and Sapaz Otelcilik Turizm as lessor. The future minimum lease payments as at 31 December 2018 and 31 December 2017 under non-cancellable leases are as follows:

Operational Lease	31 December 2018	31 December 2017
Less than one year	59,141,590	45,634,731
Between one and five years	182,540,699	149,138,974
More than five years	215,038,955	197,213,195
	456,721,244	391,986,900

Istanbul Caddebostan Building

İstanbul Caddebostan Building is registered with Kadıköy/İstanbul Erenköy neighbourhood with 368 city block and 25th plot with 902 m2 apartment with a garden at the deed register.

The value of the investment property was determined as TL 6,300,000 according to the report dated 11 January 2010 prepared by the experts assigned by Commercial Court and it was devolved as capital in kind on 3 November 2010 by Halkbank. The fair value of Caddebostan Building was determined as TL 24,303,775 according to market comparable approach based on the report dated 26 December 2018 prepared by a real estate appraisal company licensed by the CMB. There is no restriction on this investment property. The Company has rented this property to HalkBank. The agreement between the Company and Halkbank expired on 25 January 2016. The main contractor services agreement was signed on 3 November 2016 for "Caddebostan Building" which is in the urban transformation process. Land value has been taken into account in calculating its value because of urban transformation process. On 13 October 2017, construction licence was obtained and construction activities are in progress.

9 - PROPERTY, PLANT AND EQUIPMENT

Cost Value	Furniture and fixture	Leashold improvements	Total
Opening balance as at 1 January 2018	1,215,693	663,427	1,879,120
Additions	676,171	7,100	683,271
Disposals	(36,324)	--	(36,324)
Closing balance as at 31 December 2018	1,855,540	670,527	2,526,067
Accumulated Depreciation			
Opening balance as at 1 January 2018	(947,052)	(661,416)	(1,608,468)
Period charge	(151,933)	(1,670)	(153,603)
Disposals	36,324	--	36,324
Closing balance as at 31 December 2018	(1,062,661)	(663,086)	(1,725,747)
Carrying value as at 31 December 2018	792,879	7,441	800,320

Cost Value	Furniture and fixture	Leashold improvements	Total
Opening balance as at 1 January 2017	1,168,158	661,327	1,829,485
Additions	47,535	2,100	49,635
Closing balance as at 31 December 2017	1,215,693	663,427	1,879,120
Accumulated Depreciation			
Opening balance as at 1 January 2017	(746,715)	(661,327)	(1,408,042)
Period charge	(200,337)	(89)	(200,426)
Closing balance as at 31 December 2017	(947,052)	(661,416)	(1,608,468)
Carrying value as at 31 December 2017	268,641	2,011	270,652

The following useful lives are used in the calculation of depreciation:

	Useful life
Furniture and fixture	5 years
Leashold improvements	5 years

Depreciation expenses of TL 153,603 (2017: TL 200,426) have been charged in 'general administrative expenses'.



10 - INTANGIBLE ASSETS

Cost Value	Other intangible assets	Total
Opening balance as at 1 January 2018	756,707	756,707
Additions	263,134	263,134
Closing balance as at 31 December 2018	1,019,841	1,019,841
Accumulated Amortization		
Opening balance as at 1 January 2018	(650,989)	(650,989)
Period charge	(22,539)	(22,539)
Closing balance as at 31 December 2018	(673,528)	(673,528)
Carrying value as at 31 December 2018	346,313	346,313

Cost Value	Other intangible assets	Total
Opening balance as at 1 January 2017	755,396	755,396
Additions	1,311	1,311
Closing balance as at 31 December 2017	756,707	756,707
Accumulated Amortization		
Opening balance as at 1 January 2017	(439,122)	(439,122)
Additions	(211,867)	(211,867)
Closing balance as at 31 December 2017	(650,989)	(650,989)
Carrying value as at 31 December 2017	105,718	105,718

Amortization expenses of TL 22,539 (2017: TL 211,867) have been charged in 'general administrative expenses'. The following useful lives are used in the calculation of amortization:

	Useful life
Other intangible assets	3 years







11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

As at 31 December 2018 and 31 December 2017 lawsuit details is as follows:

Other short term provisions	31 December 2018	31 December 2017
Lawsuit provision	205,335	108,968
Other provision	81,912	--
	287,247	108,968
	Legal claims	Total
Balance at 1 January 2018	108,968	108,968
Additional provisions recognized	96,367	96,367
Balance at 31 December 2018	205,335	205,335
	Legal claims	Total
Balance at 1 January 2017	67,760	108,968
Additional provisions recognized	41,208	41,208
Balance at 31 December 2017	108,968	108,968

b) Collateral-Pledge-Mortgage ("CPM")

As per the decision of the CBM, made in the meeting no. 28/780, dated 9 September 2009, in which the collateral-pledge-mortgages (CPMs) given by publicly owned companies to the guarantee a third party's debts;

For companies other than publicly owned investment trusts and financial institutions, no limitation is imposed;

- i) For their own corporate identities
- ii) In favour of fully consolidated subsidiaries
- iii) In favour of 3rd parties in the normal course of their operations.

After the decision is published at the Public Disclosure Platform, publicly owned companies would not give commitments, except for those given under normal course of their operations, to real people or corporations other than mentioned at the bullets (i) and (ii) above or to third parties other than mentioned at the bullet (iii). If any commitment has already been given it would be reduced to nil until 31 December 2014.

The Company has filed 11 lawsuits comprised of 5 tax cases, 1 business case, 1 declaratory action, 1 cancellation of administrative jurisdiction, 1 executive proceeding and accordingly, 1 action for annulment of objection and 1 action for evacuation.



31 December 2018		TL equivalent
A. CPM's given for Company's own legal personality (*)		246,161,558
	-Collateral	96,161,558
	-Pledge	--
	-Mortgage	150,000,000
B. CPM s given on behalf of fully consolidated companies		--
	-Collateral	--
	-Pledge	--
	-Mortgage	--
C. CPM s given in the normal course of business activities on behalf (**)		122,908,086
	-Collateral	122,908,086
	-Pledge	--
	-Mortgage	--
D. Total amount of other CPM s		--
i. Total amount of CPM s given on behalf of the parents		--
	-Collateral	--
	-Pledge	--
	-Mortgage	--
ii. Total amount of CPM s given to on behalf of other Group companies which are not in scope of B and C		--
	-Collateral	--
	-Pledge	--
	-Mortgage	--
iii. Total amount of CPM s given on behalf of third parties which are not in scope of C		--
	-Collateral	--
	-Pledge	--
	-Mortgage	--
Total		369,069,644

(*) The item consists of: A mortgage given to HalkBank Finance Tower amounting to TL 150,000,000 (31 December 2017: TL 150,000,000) (although loan agreement has been closed, mortgage has not been cancelled under general loan agreement between Halkbank and the Company). A guarantee letter given for road accession commitment of Halkbank Finance Tower amounting to TL 92,161,475 (31 December 2017: TL 92,825,625). Guarantee related to the loans used by the customers in the scope of Referans Bakirköy project amounting to TL 2,991,000 (31 December 2017: TL 2,991,000). VAT return and amounts given to directorate of execution for Eskişehir project respectively amounting to TL 0 (31 December 2017: TL 2.251.227) and TL 224,624 (31 December 2017: 0). Collateral given to main contractor of Caddebostan Building amounting to TL 219,564 (31 December 2017: TL 1,266,407). Guarantee letter given for Dedeman Hotel Project road construction participation amounting to TL 551,455 (31 December 2017: 395,375 TL). Guarantee letter given for Kocaeli project amounting to TL 13,440 (31 December 2017: 13,440 TL). Guarantee letter given for İzmir project amounting to TL 0 (31 December 2017: TL 33,440,000) (Guarantee letter given for İzmir project amounting to TL 33,440,000 was reclassified from article "A" to article "C").

(**) The balance consist of Company being a guarantor for the customers of the Company's joint operation Halk GYO&Vakıf GYO Joint Venture's pre-sales of residences at Bizimtepe Aydos Project. If customers use loans from banks that the Company agreed, Company will be a guarantor for the customers. Halk GYO&Vakıf GYO Joint Venture signed a general guarantee agreement with the agreed banks amounting to TL 722,830,850. The Company's responsibility in this guarantee is TL 398,717,500. As of 31 December 2018, pre-sales of Halk GYO&Vakıf GYO Joint Venture performed through this guarantee agreement amounted to TL 45,661,700. As of 31 December 2018, the risk at 50% of the Company is TL 22,830,850 from the pre-sales through this guarantee agreement. As at August 2018 the Company has started

the transfer of title deeds and as of 31 December 2018, the proportion of other relevant CPM to the Company's equity is 1%.

The balance consist of Company being a guarantor for the customers of the Company's joint operation Halk GYO&Erkonut Joint Venture's pre-sales of residences at Erzurum Şehristan Project. If customers use loans from banks that the Company agreed, Company will be a guarantor for the customers. Halk GYO&Erkonut Joint Venture signed a general guarantee agreement with the agreed banks amounting to TL 255,000,000. The Company's responsibility in this guarantee is TL 127,500,000. As of 31 December 2018, pre-sales of Halk GYO&Erkonut Joint Venture performed through the guarantee agreement amounted to TL 7,774,472.

(c) The risk at 50% of the Company is TL 3,887,236 from the pre-sales through this guarantee agreement as of 31 December 2018. As at August 2018 the Company has started the transfer of title deeds and as of 31 December 2018, the proportion of other relevant CPM to the Company's equity is 0,17 %.

In accordance to Teknik Yapı-Halk GYO Joint Venture İzmir Project, the joint venture has given guarantee letters for İzmir Konak Stage 1 Land Sale of Revenue Sharing amounting to TL 66,880,000 and the letter of conveyance to T.Halk Bankası A.Ş amounting to TL 125,500,000 as at 31 December 2018. Total risk for the transactions has been classified at 50% of the capital of the Company and amounted to TL 96,190,000. As of 31 December 2018, the proportion of other relevant CPM to the Company's equity is 4,22%.

As of 31 December 2018, the proportion of relevant CPMs given to the Company's equity is 0 % (31 December 2017: 0 %).

31 December 2017		TL equivalent
A. CPM s given for Company's own legal personality (*)		283,183,074
	-Collateral	133,183,074
	-Pledge	--
	-Mortgage	150,000,000
B. CPM s given on behalf of fully consolidated companies		--
	-Collateral	--
	-Pledge	--
	-Mortgage	--
C. CPM s given in the normal course of business activities on behalf of third parties (**)		150,213,882
	-Collateral	150,213,882
	-Pledge	--
	-Mortgage	--
D. Total amount of other CPM s		--
i. Total amount of CPM s given on behalf of the parent		--
	-Collateral	--
	-Pledge	--
	-Mortgage	--
ii. Total amount of CPM s given to on behalf of other Group companies which are not in scope of B and C		--
	-Collateral	--
	-Pledge	--
	-Mortgage	--
iii. Total amount of CPM s given on behalf of third parties which are not in scope of C		--
	-Collateral	--
	-Pledge	--
	-Mortgage	--
Total		433,396,956

As of 31 December 2018 and 31 December 2017, the letters of gurantee received by the Company are as follows:

	31 December 2018	31 December 2017
YDA İnşaat San. Ve Tic. A.Ş. ⁽⁹⁾	152,709,440	120,240,000
Buga Otis Asansör San.ve Tic.A.Ş. ⁽¹²⁾	42,316,560	--
Dedeman Turizm Yönetimi A.Ş. ⁽²⁾	24,112,000	18,062,000
Haldız İnşaat Otomotiv ve Tic. Ltd. Şti. ⁽¹⁾	19,925,000	24,023,490
Sapaz Otelcilik Turizm İnşaat Sanayi Ve Ticaret A.Ş. ⁽⁸⁾	9,042,000	6,773,250
Er Konut İnş. Taah. İnşaat Malz. Nak. ve Mad. Tic. A.Ş. ⁽⁷⁾	3,165,095	13,650,000
Teknik Yapı Proje A.Ş. ⁽¹³⁾	720,000	--
Entegre Proje Yönetim Dan.Müh.Tic. A.Ş. ⁽⁴⁾	702,750	870,509
Abad Gayrimenkul A.Ş.	701,500	--
CNV Yapı Mimarlık San. Tic. Ltd. Şti. ⁽⁸⁾	629,775	1,610,000
Biskon Yapı A.Ş. ⁽³⁾	300,000	300,000
YPU Yapı Proje Uygulama Ltd. Şti. ⁽⁷⁾	240,300	196,050
Direk Reklam İnş. San. Tic. A.Ş. ⁽¹⁰⁾	235,410	211,542
Ceda Akaryakıt İnşaat Emlak Tur. Tic. Ltd. Şti. ⁽¹¹⁾	200,000	200,000
Mutlu Çilingiroğlu Miar Mimarlık İnş. San. Ve Tic. Ltd. Şti. ⁽⁵⁾	--	160,500
Other	304,480	213,859
Total	255,304,310	186,511,200

(1) The Company has received letter of guarantee from the prime contractor Haldız İnşaat Otomotiv ve Tic. A.Ş. within the scope of Bizimtepe Aydos Project.

(2) The Company has received letter of guarantee from the lessee companies for Dedeman Otel Project.

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

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

(5) Letters of guarantee have been received from suppliers relating to architectural and construction operations of Bizimtepe Aydos project.

(6) Sapaz Otelcilik Turizm İnşaat Sanayi ve Ticaret AŞ is a lessee of the Company.

(7) The Company has received a letter of guarantee for the Erzurum Şehristan Project.

(8) This letter of guarantee has been received for urban transformation process of Caddebostan Building.

(9) The Company has received a letter of guarantee from the primary contractor for architectural and construction activities for İstanbul Financial Center (IFC) Project.

(10) This letter of guarantee has been received from Direk Reklam İnş.San.Tic.A.Ş. for advertising contract of Sancaktepe Project.

(11) Ceda Akaryakıt İnşaat Emlak Tur.Tic.Ltd.Şti. is a lessee of the Company.

(12) This letter of guarantee has been received from the supplier, Buga Otis Asansör San. Ve Tic. A.Ş. under the elevator and escalator project for İstanbul Financial Center (IFC).

(13) The Company has received a letter of guarantee for the İzmir Evora Project.



12 - EMPLOYEE BENEFITS

Short-term provisions for employee benefits

	31 December 2018	31 December 2017
Employee bonus accruals	773,398	632,336
Unused vacation accruals	489,102	338,467
	1,262,500	970,803

Long-term provisions for employee benefits

	31 December 2018	31 December 2017
Retirement pay provision	529,935	318,371
	529,935	318,371

Provision for retirement pay liability:

The movements of provision for retirement pay liability in the accounting periods for the years ended 31 December 2018 and 31 December 2017, are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Provision at 1 January	318,371	202,050
Service cost	156,218	98,054
Interest cost	14,877	5,718
Retirement pay paid	(41,034)	--
Actuarial (gain) / loss	81,503	12,549
Provision at 31 December	529,935	318,371

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 6,017.60 for each period of service at 31 December 2018 (31 December 2017: TL 5,001.76).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. Accordingly, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the

accompanying financial statements as at 31 December 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 3,84% real discount rate (31 December 2017: 3,74%) calculated by using 12% annual inflation rate and 16,30% interest rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 4,45% for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling amount of TL 6,017.60 which is in effect since 1 January 2019 is used in the calculation of Company's provision for retirement pay liability (1 January 2018: TL 5,001.76).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate. If the discount rate would have been 1% lower/(higher), provision for employee termination benefits would increase/(decrease) by TL 60,746 / TL (73,785). If the anticipated turnover rate would have been 1% higher/(lower) while all other variables were held constant, provision for employee termination benefits would decrease/(increase) by TL 4,345 / TL (4,553).

13 - OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2018	31 December 2017
Deferred value added tax ("VAT") (*)	66,985,147	17,515,717
Deposits and guarantees given	216,207	180,736
Business advances given	16,558	1,878
Other	474,296	1,164,607
	67,692,208	18,862,938

Other non-current assets	31 December 2018	31 December 2017
Deferred value added tax ("VAT")(**)	950,204	42,430,565
	950,204	42,430,565

(*) As of 31 December 2018, VAT receivable amounting to TL 34,899,955 (31 December 2017: TL 0), from Sancaktepe project of Halk GYO-Vakıf GYO Joint Venture, TL 11,755,517 (31 December 2017: TL 0) from Erzurum project of Halk GYO-Erkonut Joint Venture and TL 20,329,675 (31 December 2017: TL 17,515,717) for Halk Gayrimenkul Yatırım Ortaklığı A.Ş., are classified under "other current assets" since the projects to be constructed on the land are short term projects.

(**) As of 31 December 2018, VAT receivable amounting to TL 0 (31 December 2017: TL 31,443,975), from Sancaktepe project of Halk GYO-Vakıf GYO Joint Venture, TL 0 (31 December 2017: TL 10,881,590) from Erzurum project of Halk GYO-Erkonut Joint Venture and TL 950,204 (31 December 2017: TL 105,000) from İzmir Project of Teknik Yapı-Halk GYO Joint Venture, are classified under "other non-current assets" since the projects to be constructed on the land are long term projects.

Other current liabilities	31 December 2018	31 December 2017
Deposits and guarantees received (*)	8,435,393	5,474,132
Taxes and funds payable	655,861	3,277,518
Other current liabilities	264,737	23,518
	9,355,991	8,775,168

(*) Deposits and guarantees received consist of cash guarantees received from contractors for projects under construction.

14 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 31 December 2018 and 31 December 2017 the share capital held is as follows:

Shareholders	Group	%	31 December 2018	%	31 December 2017
Halkbank	A	1.58	13,557,019	1.58	12,956,592
Halkbank (*)	B	70.38	603,879,347	70.38	577,134,085
Halk Yatırım Menkul Değerler AŞ	A	0.04	323,773	0.04	309,434
Halk Finansal Kiralama AŞ	A	<0.01	1	<0.01	1
Publicly traded (*)	B	28.00	240,239,859	28.00	229,599,888
Nominal capital		100	858,000,000	100	820,000,000
Total capital			858,000,000		820,000,000

(*) Halkbank also has 63,186,302 B group shares with 7,36% in the publicly traded held group (31 December 2017: 60,387,845 shares).

The Company shares are issued to the names into two groups; Group A and Group B. The Group A shares have the right to nominate the members of the Board of Directors ("BOD"). More than half of the BOD members are elected from the nominees of A Group shares and remaining members are elected from mutual nominees of A Group and B Group shares by the General Assembly. In capital increases new Group A shares are issued for Group A shares and new Group B shares are issued for Group B shares.

However, if the BOD restricts preemptive rights of shareholders, new shares are issued as Group B shares.

The Company has been established with registered capital ceiling of TL 1,500,000,000 each with par value of TL 1. The Company's issued capital is 858,000,000 shares amounting to TL 858,000,000. All capital has been committed by the founders; TL 196,217,979 paid in cash, TL 195,500,000 incorporated into capital from reserves and TL 466,282,021 paid in kind (real estates) by main shareholder Halkbank.

As per the Board of Directors decision numbered 49/110 on 15 August 2012, the Company's capital was increased to TL 662,500,000. The increase of TL 185,500,000 corresponding to 185,500,000 shares were publicly offered during 13-15 February 2013. As at 20 June 2013, the Company increased its share capital by TL 11,138,704 from retained earnings.

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

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

As at 25 May 2016, the Company increased its share capital to TL 790,000,000 by transferring TL 47,000,000 from retained earnings to share capital.

As at 15 August 2017, the Company increased its share capital to TL 820,000,000 by transferring TL 30,000,000 from retained earnings to share capital.

As at 8 June 2018, the Company increased its share capital to TL 858,000,000 by transferring TL 38,000,000 from retained earnings to share capital.

b) Treasury shares acquired

The Company's treasury shares acquired are accounted for at cost. The Company holds 24,188,879 treasury shares as of 31 December 2018 (31 December 2017: 23,117,578 shares). The details of the treasury shares acquired for the year ended 31 December 2018 are as follows:

Transaction	Transaction date	Nominal value	Weighted average share price	Transaction amount
Repurchased shares	26 February 2013	933,649	1.34	1,251,090
Repurchased shares	27 February 2013	736,571	1.34	987,004
Repurchased shares	28 February 2013	1,000,000	1.34	1,340,000
Repurchased shares	1 March 2013	2,297,269	1.32	3,021,922
Repurchased shares	5 March 2013	3,455,130	1.33	4,608,678
Repurchased shares	11 March 2013	457,867	1.32	604,384
Repurchased shares	12 March 2013	586,245	1.32	773,843
Repurchased shares	15 March 2013	2,000,000	1.32	2,640,000
Repurchased shares	21 March 2013	7,210,586	1.33	9,582,612
Bonus shares from incorporating reser	20 June 2013	314,024	--	--
Bonus shares from incorporating reser	5 June 2014	683,977	--	--
Bonus shares from incorporating reser	11 June 2015	1,271,466	--	--
Bonus shares from incorporating reser	25 May 2016	1,325,030	--	--
Bonus shares from incorporating reser	17 August 2017	845,764	--	--
Bonus shares from incorporating reser	8 June 2018	1,071,301	--	--
Total repurchased shares		24,188,879	1.03	24,809,533

c) Share premiums/discounts

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

d) Restricted reserves appropriated from profit

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

the Turkish Commercial Code, the Company has to appropriate restricted reserve equivalent to the Company's treasury shares acquired. Such reserve can only be released in the amount of any sold or destroyed shares valued at acquisition cost. As at 31 December 2018, the Company's restricted reserves are legal reserves amounting to TL 42,011,650 (31 December 2017: TL 39,266,359).

e) Dividends

The Company distributed dividends in cash to the shareholders amounting to TL 3,800,000 on 26 April 2018 pursuant to the 2017 Ordinary Meeting of the General Assembly held on 26 April 2018 (2017: TL 2,915,412). (The Company received return of dividends amounting to TL 107,129 due to repurchased shares.) Net amount of the dividends paid is TL 3,692,871.





15 - REVENUE AND COST OF SALES

	1 January–31 December 2018	1 January–31 December 2017
a) Sales		
Income on properties	313,924,770	74,963,767
Income from sale of residence (*)	252,924,725	23,934,707
Rental income	61,000,045	51,029,060
Income on debt instruments	5,234,204	7,276,915
Interest income on deposits	5,234,204	7,276,915
	319,158,974	82,240,682

(*)The Group recognized net sales amounting to TL 252,924,725 related to the performance obligations that may be fulfilled at any given time.

b) Cost of Sales	1 January–31 December 2018	1 January–31 December 2017
Cost of residence sales	196,897,381	13,036,019
Taxes and other levies	5,275,218	1,867,756
Other	997,591	908,791
	203,170,190	15,812,566

16 - EXPENSES BY NATURE

	1 January–31 December 2018	1 January–31 December 2017
Cost of residence sales	196,897,381	13,036,019
Personel expenses	8,334,510	7,195,755
Advertisement expenses	4,181,195	2,426,451
Outsource servise expenses	391,017	1,000,529
Commission expenses	356,230	937,492
Travel and car expenses	761,025	789,573
Property tax expenses	927,790	1,867,756
Taxes and duties	5,120,731	629,399
Rent expenses	767,155	670,745
Depreciation and amortization charges	176,142	412,293
Consulting expenses	439,030	411,427
Stationery and IT related expenses	155,280	154,945
Maintanance expenses	134,103	41,726
Other	2,012,120	1,244,626
	220,653,709	30,818,736



17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES

	1 January–31 December 2018	1 January–31 December 2017
General administrative expenses (-)	12,811,718	11,584,483
Marketing expenses (-)	4,671,801	3,421,687
	17,483,519	15,006,170
a) Detail of general administrative expenses	1 January–31 December 2018	1 January–31 December 2017
Personel expenses	8,334,510	7,195,755
Advertisement expenses	1,102,035	835,344
Travel and car expenses	761,025	789,573
Taxes and duties	754,285	610,562
Outsource servise expenses	295,084	557,273
Rent expenses	599,171	523,544
Depreciation and amortization charges	176,142	412,293
Consulting expenses	439,030	411,427
Stationery and IT related expenses	155,280	154,945
Maintanance expenses	134,103	41,726
Other	61,053	52,041
	12,811,718	11,584,483
Detail of personel expenses	1 January–31 December 2018	1 January–31 December 2017
Wages and salaries	5,880,839	4,824,149
Social Security Insituion employer's shares	858,767	689,494
Board of directors' remunerations	456,712	591,032
Insurance expenses	504,194	340,929
Employee benefits provision	406,743	217,830
Other	227,255	532,321
	8,334,510	7,195,755
b) Detail of marketing expenses	1 January–31 December 2018	1 January–31 December 2017
Advertisement expenses	3,079,161	1,591,107
Commission expenses (*)	356,230	937,492
Common building expenses	945,050	252,420
Sample flat furnishing expenses	14,477	190,836
Sales office rent expenses	167,984	147,201
Taxes and duties	9,766	18,837
Other	99,133	283,794
	4,671,801	3,421,687

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

18 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the periods ended 31 December 2018 and 31 December 2017 are as follows:

	1 January–31 December 2018	1 January–31 December 2017
Foreign exchanges gains	4,446,995	1,386,836
Returns from consortium participation	1,176,495	-
Reversal for provisions	360,241	-
Forfeits from cancellation of preliminary sales contracts	181,575	462,663
Incentives and discounts from public insitutions	--	516,963
Other income	151,255	566,226
	6,316,561	2,932,688

The details of other expenses from operating activities for the periods ended 31 December 2018 and 31 December 2017 are as follows:

	1 January–31 December 2018	1 January–31 December 2017
Foreign exchange losses	(1,667,403)	(1,826,514)
Donations	--	(2,600,000)
Other expenses	(194,537)	--
	(1,861,940)	(4,426,514)

19 - FINANCE COSTS

	1 January–31 December 2018	1 January–31 December 2017
Interest expenses on bank loans	6,849,704	2,212,374
Interest expenses on short term bonds	1,333,855	2,294,796
Interest expenses on short term lease certificates	5,352,871	398,127
Commission expenses	534,410	214,152
Finansal kiralama borçlanma maliyetleri	969,107	-
	15,039,947	5,119,449
Capitalized under investment properties	33,494,130	468,699
Total finance expenses	48,534,077	5,588,148

20 - INCOME TAXES

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

21 - EARNINGS PER SHARE

Earning per share	1 January–31 December 2018	1 January–31 December 2017
Weighted average number of shares	858,000,000	820,000,000
Net profit for the period	394,801,082	252,108,771
Earning per share	0,4601	0,2938

22 - FINANCIAL INSTRUMENTS

Financial Liabilities

Financial Liabilities	31 December 2018	31 December 2017
a) Borrowing Instruments	250,839,562	197,215,447
b) Bank Loans	39,705,725	29,698,973
c) Finance Lease Payables (*)	24,078,915	-
	314,624,202	226,914,420

(*) The Company signed an agreement with Buga Otis Asansör Sanayi ve Ticaret A.Ş. within the scope of service procurement for vertical transports (elevator and escalator) in Halk Towers to be built related to the project of Istanbul International Finance Center and signed financial lease agreement with Halk Finansal Kiralama A.Ş. for relevant service procurement.

Borrowing Instruments	31 December 2018	31 December 2017
Short term bonds (*)	-	96,779,831
Short term lease certificates (**)	250,839,562	100,435,616
	250,839,562	197,215,447

Bank Loans	31 December 2018	31 December 2017
Short term bank loans	32,277,472	19,581,472
Short term portion of long term bank loans	3,397,826	3,397,671
Long term bank loans	4,030,427	6,719,830
	39,705,725	29,698,973

Interest rates of financial liabilities are as follows:

			31 December 2018	
Financial Instrument	Currency	Nominal interest rate	Short term	Long term
Lease certificates	TL	24.84%	250,839,562	--
Floating rate loans	TL	26.82%	32,277,472	--
Fixed rate loans	TL	8.00%	3,397,826	4,030,427
			286,514,860	4,030,427
			31 December 2017	
Financial Instrument	Currency	Nominal interest rate	Short term	Long term
Lease certificates	TL	13.25%	100,435,616	-
Bonds	TL	14.10%	96,779,831	-
Floating rate loans	TL	15.86%	19,581,472	-
Fixed rate loans	TL	8.00%	3,397,671	6,719,830
			220,194,590	6,719,830

Maturities of bank borrowings are as follows:

Banka Kredileri	31 December 2018	31 December 2017
Less than 1 year	297,317,863	220,194,590
Between 1 - 2 years	13,992,333	3,073,780
Between 2 - 3 years	3,314,006	2,779,682
Between 3 - 4 years	-	866,368
	314,624,202	226,914,420

23 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of debts, which includes the borrowings disclosed in Note 22, comprising cash and cash equivalents, issued capital, reserves and retained earnings.

The Company's risk management committee reviews the capital structure of the Company collectively on a quarterly basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the Company balances its overall capital structure through the payment of dividends, new share issues and acquiring own shares, as well as the issue of new debt or the redemption of existing debt.

In addition and consistent with other entities in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

During 2018, the Company's strategy has not changed from 2017. As of 31 December 2018 and 31 December 2017, the net debt/capital ratio calculated as net debt divided by total capital (net debt is calculated as total borrowings less cash and cash equivalents and short-term financial investments) is as follows:

	31 December 2018	31 December 2017
Financial Liabilities	314,624,202	226,914,420
Less: Cash and cash equivalents	(28,825,032)	(123,145,273)
Net debt	285,799,170	103,769,147
Total shareholders equity	2,275,075,016	1,879,401,652
Total share capital	858,000,000	820,000,000
Gearing ratio	33%	13%

b) Financial Risk Factors

The Company's activities expose it to a variety of financial risks including interest rate risk, liquidity risk, currency risk and credit risk. Company's risk management programme generally focuses on uncertainty in financial markets and minimizing potential negative effects on Company's financial performance.

Risk management, is conducted by a treasury department with policies approved by the Board of Directors. Treasury department of the Company defines and evaluates the financial risk, and by working with the operation units by using tools to decrease the risk. Board of Directors maintains generates a written procedure about foreign exchange risk, interest rate risk, credit risk, usage of non-derivative financial instruments, and evaluating excess liquidity or other various risks.

b.1) Credit risk management

Details of credit risk by class of financial instruments

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2018	Related Parties	Other	Related Parties	Other	Deposits at Banks
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	1,175	15,972,432	--	--	28,825,032
- Secured portion of the maximum credit risk by guarantees (**)	--	2,676,421	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	1,175	15,972,432	--	--	28,825,032
B. Net book value of financialassets that are past due but not impaired	--	--	--	--	--
C. Net book value of the impaired assets	--	--	--	--	--
- Past due (gross amount)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Secured portion of the net book value by garantees, etc.	--	--	--	--	--
- Not past due (gross amount)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Secured portion of the net book value by garantees, etc.	--	--	--	--	--
D. Off-balance sheet items include credit risk	--	--	--	--	--

(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(**) Guarantees consist of guarantee letters, guarantee notes and mortgages obtained from the customers.

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2017	Related Parties	Other	Related Parties	Other	Deposits at Banks
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	148,189	42,354,492	--	--	123,145,273
- Secured portion of the maximum credit risk by guarantees (**)	--	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	148,189	42,354,492	--	--	123,145,273
B. Net book value of financial assets that are past due but not impaired	--	--	--	--	--
C. Net book value of the impaired assets	--	--	--	--	--
- Past due (gross amount)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Secured portion of the net book value by guarantees, etc.	--	--	--	--	--
- Not past due (gross amount)	--	--	--	--	--
- Impairment (-)	--	--	--	--	--
- Secured portion of the net book value by guarantees, etc.	--	--	--	--	--
D. Off-balance sheet items include credit risk	--	--	--	--	--

(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(**) Guarantees consist of guarantee letters, guarantee notes and mortgages obtained from the customers.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Company, aiming to decrease credit risk by transacting only with parties who has credit assurance and where possible, obtaining sufficient guarantee. Credit risks which the Company is exposed and credibility of customers are being monitored regularly. Credit risk is being controlled by the risk management committee through limits which are determined and annually controlled by the Board of Directors.

b.2) Liquidity risk management

The ultimate responsibility for liquidity risk management belongs to the Board of Directors. The Board of Directors has established a liquidity risk management in order to meet short, mid and long term financing, and liquidity requirements. The Company manages liquidity risk by monitoring expected and actual cash flows closely, and by maintaining sustainability of sufficient borrowing funds through matching maturities of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

Liquidity risk table:

31 December 2018					
Contractual Terms	Carrying value	Total Contractual Cash Outflows (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
Non-derivative financial liabilities					
Bank loans	39,705,725	40,630,402	33,171,983	2,685,031	4,773,388
Debt securities issued	250,839,562	263,733,849	80,763,699	182,970,150	--
Financial lease liabilities	24,078,915	25,295,900	2,918,758	8,756,273	13,620,869
Trade payables	15,628,217	15,628,217	15,628,217	--	--
Other liabilities	9,355,991	9,355,991	9,355,991	--	--
Total liabilities	339,608,410	354,644,359	141,838,648	194,411,454	18,394,257
31 December 2017					
Contractual Terms	Carrying value	Total Contractual Cash Outflows (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
Non-derivative financial liabilities					
Bank loans	29,698,973	31,514,942	20,476,482	2,685,031	8,353,429
Debt securities issued	197,215,447	203,158,433	203,158,433	--	--
Trade payables	18,025,957	18,025,957	18,025,957	--	--
Other liabilities	8,775,168	8,775,164	8,775,164	--	--
Total liabilities	253,715,545	261,474,496	250,436,036	2,685,031	8,353,429

b.3) Market risk management

During the current period, there has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

b.3.1) Foreign currency risk management

The carrying amounts of the Company's foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities at the reporting period are as follows:

	31 December 2018			
	TL Amount	US Dollar	Euro	GBP
1. Trade Receivables	--	--	--	--
2a. Monetary Financial Assets	2,169,749	--	359,945	--
2b. Non-monetary financial assets	831,222	158,000	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	3,000,971	158,000	359,945	--
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--
9. TOTAL ASSETS	3,000,971	158,000	359,945	--
10. Trade Payables	--	--	--	--
11. Financial Liabilities	10,803,003	--	1,792,137	--
12a. Monetary Other Liabilities	--	--	--	--
12b. Non-Monetary Other Liabilities	--	--	--	--
13. CURRENT LIABILITIES	10,803,003	--	1,792,137	--
14. Trade Payables	53,264	10,124	--	--
15. Financial Liabilities	13,196,350	--	2,189,176	--
16a. Monetary Other Liabilities	--	--	--	--
16b. Non-Current Liabilities	--	--	--	--
17. NON-CURRENT LIABILITIES	13,249,614	10,124	2,189,176	--
18. TOTAL LIABILITIES	24,052,617	10,124	3,981,313	--
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	--	--	--	--
19.a Assets on foreign currency derivative instruments	--	--	--	--
19b. Liabilities on foreign currency derivative instruments	--	--	--	--
20. Net foreign currency assets/liabilities position	(21,051,646)	147,876	(3,621,368)	--
21. Monetary items net foreign currency assets/liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	(21,882,868)	(10,124)	(3,621,368)	--



	31 December 2017			
	TL Amount	US Dollar	Euro	GBP
1. Trade Receivables	--	--	--	--
2a. Monetary Financial Assets	9,078,240	--	2,009,438	910
2b. Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
4. CURRENT ASSETS	9,078,240	--	2,009,438	910
5. Trade Receivables	--	--	--	--
6a. Monetary Financial Assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--
9. TOTAL ASSETS	9,078,240	--	2,009,438	910
10. Trade Receivables	--	--	--	--
11. Financial Liabilities	--	--	--	--
12a. Monetary Other Liabilities	--	--	--	--
12b. Non-Monetary Other Liabilities	--	--	--	--
13. CURRENT LIABILITIES	--	--	--	--
14. Trade Receivables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16a. Monetary Other Liabilities	1,188	315	--	--
16b. Non-Monetary Other Liabilities	--	--	--	--
17. NON-CURRENT LIABILITIES	1,188	315	--	--
18. TOTAL LIABILITIES	1,188	315	--	--
19. Off-balance sheet derivative instruments net asset/liability position (19a-19b)	--	--	--	--
19.a Assets on foreign currency derivative instruments	--	--	--	--
19b. Liabilities on foreign currency derivative instruments	--	--	--	--
20. Net Foreign Currency Assets/Liabilities Position	9,077,052	(315)	2,009,438	910
21. Monetary Items Net Foreign Currency Assets/Liabilities (1+2a+5+6a-10-12a-14-16a)	9,077,052	(315)	2,009,438	910

Foreign currency sensitivity analysis

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar, EURO and GBP.

The following table details the Company's sensitivity to a 10% increase and decrease in foreign currency against TL. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit/loss or equity.

	31 December 2018			
	Profit / (Loss)		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
In case of US Dollar increases in 10% against TL				
1-US Dollar net assets/liability	(5,326)	5,326	(5,326)	5,326
2-US Dollar hedges (-)	--	--	--	--
3-Net effect of US Dollar (1+ 2)	(5,326)	5,326	(5,326)	5,326
In case of Euro increases in 10% against TL				
4-Euro net asset/liability	(2,182,960)	2,182,960	(2,182,960)	2,182,960
5-Euro hedges (-)	--	--	--	--
6-Net effect of Euro (4+ 5)	(2,182,960)	2,182,960	(2,182,960)	2,182,960
In case of GBP increases in 10% against TL				
7-GBP net asset/liability	--	--	--	--
8-GBP hedges (-)	--	--	--	--
9-Net effect of GBP (7+ 8)	--	--	--	--
	(2,188,286)	2,188,286	(2,188,286)	2,188,286

	31 December 2017			
	Profit / (Loss)		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
In case of US Dollar increases in 10% against TL				
1-US Dollar net assets/liability	(119)	119	(119)	119
2-US Dollar hedges (-)	--	--	--	--
3-Net effect of US Dollar (1+ 2)	(119)	119	(119)	119
In case of Euro increases in 10% against TL				
4-Euro net asset/liability	907,362	(907,362)	907,362	(907,362)
5-Euro hedges (-)	--	--	--	--
6-Net effect of Euro (4+ 5)	907,362	(907,362)	907,362	(907,362)
In case of GBP increases in 10% against TL				
7-GBP net asset/liability	462	(462)	462	(462)
8-GBP hedges (-)	--	--	--	--
9-Net effect of GBP (7+ 8)	462	(462)	462	(462)
	907,705	(907,705)	907,705	(907,705)

b.3.2) Interest rate risk management

The Company borrows funds at fixed interest rate. Risk hedging strategies are evaluated regularly in order to comply with interest rate anticipations and defined risks.

Interest rate sensitivity analysis

The details of the interest-bearing financial assets of the Company are as follows:

Interest Position Table		
	31 December 2018	31 December 2017
Fixed interest rate instruments		
Financial liabilities	258,267,815	207,332,948
Variable interest rate instruments		
Financial liabilities	32,277,472	19,581,472

24 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)

31 December 2018	Loans and receivables	Financial liabilities at amortized cost	Carry ing value	Note
Financial assets				
Cash and cash equivalents	28,825,032	--	28,825,032	26
Trade receivables	15,973,607	--	15,973,607	5
Financial liabilities				
Borrowings	--	314,624,202	314,624,202	22
Trade payables	--	15,549,139	15,549,139	5
Due to related parties	--	79,078	79,078	4
Other	--	9,355,991	9,355,991	13
31 December 2017	Loans and receivables	Financial liabilities at amortized cost	Carry ing value	Note
Financial assets				
Cash and cash equivalents	123,145,273	--	123,145,273	26
Trade receivables	42,502,681	--	42,502,681	5
Financial liabilities				
Borrowings	--	226,914,420	226,914,420	22
Trade payables	--	17,609,234	17,609,234	5
Due to related parties	--	416,723	416,723	4
Other	--	8,775,168	8,775,168	13

(*) The Company management considers the carrying amounts of financial instruments approximate their fair values.

Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

25 - EVENTS AFTER THE REPORTING PERIOD

The return and principal payment of the borrowing arising from the lease certificate issued by the Company on 12 October 2018 with a nominal value of TL 75,000,000 bearing the interest rate of 27.5% was made at the maturity date of 22 January 2019.

26 - NOTES ON STATEMENT OF CASH FLOWS

	31 December 2018	31 December 2017
Cash at banks	28,814,246	123,138,273
Demand deposits	691,954	623,757
Time deposits	28,122,292	122,514,516
Expected credit loss (-)	(346)	-
Other liquid assets (*)	11,132	7,000
Cash and cash equivalents in the statement of financial position	28,825,032	123,145,273
Less: Interest income accruals on cash equivalents	(223,504)	(524,510)
Cash and cash equivalents in the statement of cash flows	28,601,528	122,620,763

(*) As at 31 December 2018 and 31 December 2017 there is a blocked amount for salary payments to personnel from demand deposits.
(**)As at 31 December 2018 and 31 December 2017, other liquid assets consist of credit card receivables from sales of residential units of Bizimtepe Aydos and Erzurum Şehristan projects.

31 December 2018	Amount	Interest rate	Maturity
Time deposits			
TL	19,444	21.00%	2 January 2019
TL	1,062	2.00%	2 January 2019
TL	21,126	19.50%	2 January 2019
TL	550,000	22.00%	2 January 2019
TL	20,152,876	23.25%	22 January 2019
TL	5,208,111	22.00%	30 January 2019
EUR	2,169,673	3.75%	2 January 2019
	28,122,292		
31 December 2017	Amount	Interest rate	Maturity
Time deposits			
TL	639	3.22%	2 January 2018
TL	1,364	2.00%	2 January 2018
TL	3,529,916	14.25%	5 January 2018
TL	10,044,384	13.50%	22 January 2018
TL	18,131,359	14.30%	5 February 2018
TL	10,044,384	13.50%	20 February 2018
EUR	9,051,598	2.25%	23 February 2018
TL	71,710,872	13.50%	16 March 2018
	122,514,516		

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 23.

27 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

One of the former directors of the Company's main shareholder, Türkiye Halk Bankası A.Ş. (main shareholder Bank) has been convicted and imprisoned for some of the charges by the court in the United States of America ("USA") of the violation of the USA sanctions involving Iran as of 16 May 2018. The subsequent legal process is not yet completed but ongoing for the defendant former director of the main shareholder Bank such as appeal and other legal rights following the trial.

Main shareholder Bank is not a trialist or defendant in this case. The respective court in this trial has not issued any administrative or monetary decision against the main shareholder Bank. Main shareholder Bank is always sensitive in complying with national and international regulations and puts considerable efforts in improving such compliance policies in line with international standards.

In providing the banking transactions, the main shareholder Bank is not following the foreign trade applications, mechanisms, methods and systems, other than prevailing banking practices and those adopted by other banks. The foreign trade transactions and Money transfers are open and transparent, and easily be monitored by authorities. The main shareholder Bank will continue to adopt the same policies of transparency and compliance with international regulations.

Main shareholder Bank placed a high importance on this matter and established a separate "Compliance Department". The Bank is receiving advisory services from an international expert firm in forming effectiveness of this department's policies and control procedures and processes.

APPENDIX 1 - CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO

The information contained in the table of control of compliance with restrictions on the investment portfolio is a summarized information derived from the financial statements according to Article 16 of the "Communiqué on Financial Reporting in Capital Markets Serial: II, No: 14.1". This information has been prepared in accordance with the statements of the CMB's "Communiqué on Principles Regarding Real Estate Investment Trusts Serial: III, No: 48.1" published in the Official Gazette numbered 28660, regulating the compliance with portfolio limitations.

As at 31 December 2018, the Company complied with the restrictions that stated in the paragraph "a, b, c, ç and d" of 24th, 22nd and 38th articles of the CMB's communiqué no III-48.1, "Communiqué on Principles Regarding Real Estate Investment Trusts", published in the Official Gazette numbered 28660. The ratios related with these restrictions are shown below (31 December 2017: There is no non-compliance).

Financial statement primary account items		Regulation		31.12. 2018 (TL)	31.12. 2017 (TL)	
A	Monet and capital market instruments	Serial: III-48.1,Article 24/(b)		28,825,032	123,145,273	
B	Real estates, based on real estates, rights based on real estates	Serial: III-48.1,Article 24/(a)		2,391,793,833	2,080,389,207	
C	Subsidiaries	Serial: III-48.1,Article 24/(b)		--	--	
	Due from related parties (non-trade)	Serial: III-48.1,Article 23/(f)		--	--	
	Other assets			206,260,620	173,399,260	
D	Total Assets	Seri: III-48.1 sayılı Tebliğ, Md.3/(k)		2,626,879,485	2,376,933,740	
E	Loans and borrowings	Serial: III-48.1,Article 31		290,545,287	226,914,420	
F	Other financial liabilities	Serial: III-48.1,Article 31		--	--	
G	Financial leasing obligations	Serial: III-48.1,Article 31		24,078,915	--	
H	Due to related parties (non-trade)	Serial: III-48.1,Article 23/(f)		--	--	
i	Equity	Serial: III-48.1,Article 31		2,275,075,016	1,879,401,652	
	Other liabilities			37,180,267	270,617,668	
D	Total liabilities and equity	Serial: III-48.1, Article 3/(k)		2,626,879,485	2,376,933,740	
Other financial information		Regulations		31.12. 2018 (TL)	31.12. 2017 (TL)	
A1	Portion of money and capital markets instruments for real estate payments of 3 years	Serial: III-48.1,Article 24/(b)		--	--	
A2	Time deposit/demand deposit/TL/foreign currency	Serial: III-48.1,Article 24/(b)		28,814,246	123,138,273	
A3	Foreign capital market instruments	Serial: III-48.1,Article 24/(d)		--	--	
B1	Foreign real estates, based on real estates project, rights for real estates	Serial: III-48.1,Article 24/(d)		--	--	
B2	Idle land	Serial: III-48.1,Article 24/(c)		--	--	
C1	Foreign Subsidiaries	Serial: III-48.1,Article 24/(d)		--	--	
C2	Investment in the operating company	Serial: III-48.1,Article 28		--	--	
J	Non-cash loans	Serial: III-48.1,Article 31		219,069,644	283,396,956	
K	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1,Article 22/(e)		--	--	
L	Total investments of money and capital market instruments at one company	Serial: III-48.1,Article 22/(l)		--	--	
	Portfolio Restrictions	Regulations	Calculation	Min/Max Rate	31.12. 2018 (TL)	31.12. 2017 (TL)
1	Mortgage amounts on land that project to be developed but the ownership does not belong the entity	Serial: III-48.1,Article .22/(e)	K/D	Maximum %10	--	--
2	Real estates, basedon real estates project, rights for real estates	Serial: III-48.1,Article 24/(a),(b)	(B+A1)/D	Minimum %51	91.05%	87.52%
3	Money and capital market instruments and associates	Serial: III-48.1,Article 24/(b)	(A+C-A1)/D	Maximum %49	1.10%	5.18%
4	Foreign real estates, based on real estates projects, rights for real estate, associates, capital market instruments	Serial: III-48.1,Article 24/(d)	(A3+B1+C1)/D	Maximum %49	--	--
5	Idle land	Serial: III-48.1,Article 24/(c)	B2/D	Maximum %20	--	--
6	Investment in operating company	Serial: III-48.1,Article 28	C2/D	Maximum %10	--	--
7	Borrowing Limit	Serial: III-48.1,Article 31	(E+F+G+H+J)/l	Maximum %500	23.46%	27.15%
8	Time Deposit/Demand Deposit/TL/ Foreign Currency	Serial: III-48.1,Article 24/(b)	(A2-A1)/D	Maximum %10	1.10%	5.18%
9	Total investments of money and capital market instruments at one company	Serial: III-48.1,Article 22/(l)	L/D	Maximum %10	--	--







Istanbul Financial Center - Bizimtepe Aydos
Panorama Plus - Park Dedeman Levent Hotel - Ş
Şalıpazarı Hotel Project - Evora İzmir - İstanbul Fina
- Referans Bakırköy - Eskişehir Panorama Plus - P
Şehiristan Residential Project - Şalıpazarı Hotel
Bizimtepe Aydos Residential Project - Referans B
Levent Hotel - Şekerpinar Project - Şehiristan Res
izmir - İstanbul Financial Center - Bizimtepe Aydo
Panorama Plus - Park Dedeman Levent Hotel - Ş
Istanbul Financial Center - Bizimtepe Aydos Re
Panorama Plus - Park Dedeman Levent Hotel -
Şalıpazarı Hotel Project - Evora İzmir - İstanbul Fina
- Referans Bakırköy - Eskişehir Panorama Plus - P
Şehiristan Residential Project - Şalıpazarı Hotel
Bizimtepe Aydos Residential Project - Referans B
Levent Hotel - Şekerpinar Project - Şehiristan Res
izmir - İstanbul Financial Center - Bizimtepe Aydo
Panorama Plus - Park Dedeman Levent Hotel - S





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