



2019 BOARD OF DIRECTORS 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.



## EVALUATION OF THE CHAIRMAN OF THE BOARD

Dear Stakeholders,

During 2000s that we witnessed a success story in Turkish economy, the fundamental resource of stability is to have an understanding of powerful management observing change well and creating permanent solutions to market needs. The cooperation between real sector, finance sector and public enables our institutions to protect their financial strengths, to sustain the investments and to continue powerful growth above average despite of global fluctuations.

The previous year was a critical corner that we took a step further for compliance and cooperation in this regard. With the application under New Economy Program, there has been an ecosystem in which synergy among real sector, finance sector and public has increased, increase in currency rates has suspended, trust in Turkish Lira has increased and interest rates has receded, which was desired by all stakeholders.

The real estate sector has contributed to the ecosystem which was formed by its devoted campaigns and projects. Within interaction with almost 250 sub-sectors, it has continued to be among the locomotives of our Country's economy with its domestic added value and high employment. Our country's engineering profile which has become more competitive in international scale, has advanced thanks to our youth who gained experience in construction works, Turkey has become a country which is able to complete huge infrastructure projects with its own labor force.

Our country is also a center of attraction for many people coming from different geographies. The fact that our country has a strong real estate sector has been an important factor in the transactions that bring currency in our country through both the tourists and the foreign investors. As modern structures, hotels, business centers, hospitals, bridges, airports and highways increased, economic activity areas have become diversified and the image of Turkey in international area has become much more brilliant. The real estate sector is determined to increase and sustain our works adding value to our country.

As Halk GYO preparing to celebrate its 10th year, we have grown consistently in the way of increasing our contribution to the country's economy thanks to the strength of our main partner Halkbank and brought our equities to 2.6 billion TRY which had been 477 million TRY in the foundation in order to deserve trust of our investors.

The company's portfolio was developed with various projects ranging from commercial property to residence, from office to hotel. The investments and sustainable growth will be continued, and the objective of bringing qualified projects to Turkey in will continue in 2020.

We would like to express our gratitude to all our stakeholders, to our shareholders and co-workers who are proceeding towards common objectives with us in particular; I wish 2020 to be a successful year for our country, sector and company.

Sincerely,

**Mehmet Emin ÖZCAN**  
Chairman of the Board



## EVALUATION OF THE GENERAL MANAGER

Dear Stakeholders,

We left one more year behind that we worked all together for our country's economic stability, sector's development and people's welfare and that we achieved successful results. 2019 was a considerable recovery process for all sectors having strategic importance to real economy. It was a rebalancing period in which short-term fluctuations had been overcome and preliminary preparations had been made for focusing on medium- and long-term objections. The ecosystem reassured the entrepreneurs and encouraged the companies as it initiated new investments, offered new financial opportunities and decreased borrowing costs.

Our sector is among the largest gears of our country's economy in terms of domestic added value and employment opportunities it creates. By taking this phenomenon into consideration, the measures taken particularly for motivating the delayed demand in residence last year were considerably appropriate steps. Particularly our public banks succeed in important implementations for both meeting the needs of residence investors and maintaining access of real estate companies to finance.

I believe that we will sustain increasingly to bring modern architectural works to our country, to response development rate of the cities in the most comfortable way and to increase our distribution to the Country's economy with the new investments.

Dear Stakeholders,

Our sector has sustained its contribution to the Country's economy with its devoted residential campaigns and new project investments. On the other hand, the innovative products such as discounted residential loans, Zoning Peace regulations, innovations in urban transformation system, extended title deed fees and VAT discounts, increase in government assistances, improvements in residential account and state contribution, real

estate fund and inflation-indexed residential loan have become other implementations increasing the success rate of our sector.

We are much appreciated with the developments that the figures of residence sales reached the previous year with 1,350 sales, residence sales to foreigners increased by 15% per year.

Dear Stakeholders,

Our company which has commenced its operations in 2010 with trust and reputation from our founder and main shareholder Halkbank, is getting excited for turning into its 10th year. Our biggest motivation to service to our country and sector with our added value and employment opportunities while clocking up new successes to ourselves each year as Halk GYO.

We sustained our office investments as stakeholder of Istanbul International Financial Center Project realized with the vision of turning our country into a financial center on a global scale, while diversifying our portfolio by developing residence and hotel projects with the understanding of **"Right project in the right location"**.

We tried to develop our portfolio with a wide range of modern structures from commercial property to residence, from financial center to hotel. We were awarded new prizes where we have made substantial progress. Our Evora Izmir project that has been constructed in Alsancak, Izmir with Teknik Yapı partnership and that we continue its book-building process, was granted to **"Enrichers of Izmir"** award.

We have continued the construction of Halk Office Towers under the project of Istanbul International Financial Center. On the other hand, we have largely completed turnkeys of flats in Bizimtepe Aydos and Şehristan Residences.

Dear Stakeholders,

We have served in our country with our portfolio, investment diversity and brand value by putting our signature under prestigious projects to date. We have conducted the institution's activities of 2019 efficiently with powerful collaborations and qualified projects, we also crowned our achievements with our financial results.

We have increased the equities of our company founded with the equity of 477 million TRY in 2010 by more than 5 times in a short period of time for companies of such scale, and increased to 2.6 billion TRY today. We raised our company's size of assets to 3 billion TRY as of the year-end. Our total revenue comprised of residence sales revenues, regular rental incomes and financial incomes has realized as 130 million TY, while our company's net period profit has become 321 million TRY. Thanks to our performance, we demonstrated that we are a substantial player in the sector.

I would like to express my respect and gratitude to all our stakeholders working with us, to our main partner T. Halk Bankası A.Ş. which does not spare its strength and support with our Company that is taking firm steps towards the future in accordance with our national objectives by developing projects suitable for our culture as the largest richness of our country.

Sincerely,  
**Erdal BEKİN**

Acting General Manager and  
Member of the Board of Directors



## 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	Şerifali Çiftliği Tatlısu Mahallesi Ertuğrulgazi Sokak No:1 34774 Yukarı Dudullu Ümraniye/İSTANBUL
Phone Number	+90 216 600 10 00
Fax Number	+90 216 594 53 72
Website	www.halkgyo.com.tr
Trade Registry No	İstanbul / 751122
Mersis No	0456046607600015

### Vision

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

### Mission

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

### Strategy

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



BRIEF HISTORY

2010 - 2011

October 2010  
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 Finans 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  
Leasing of our Company’s General Directorate, Şerifali Center (Block B) to Halkbank moving to 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  
Starting of Eskişehir Panorama Plus residence 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, İstanbul

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

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

November 2015  
Start of construction and sales of Bizimtepe Aydos Residential Project realized with Vakıf GYO partnership

December 2015  
Leasing out Şekerpınar Banking Center (Block A) to Halkbank

2016

April 2016  
Adding 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 Residences 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)

December 2016  
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 of 9.24

December 2017  
Realization of “The first REIT Sukuk Issuance of Turkey”

2018

March 2018  
Signing an agreement with Buga Otis Asansör Sanayi ve Ticaret A.Ş. as part of service provision for IIFC Halk Office 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

2019

February 2019  
Leasing of Bahçelievler 2 Building in our portfolio to İpekyol Giyim A.Ş.

July 2019  
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 2019  
Conveyancing of Şehristan Residential Project and signing a contract regarding the purchase of land of 29 million TRY in return

November 2019  
Increase of our Company’s Corporate Management Rating which was set as 9.27 to 9.31 with the review

## BOARD OF DIRECTORS

The powers and responsibilities of the Board Members are regulated in the Company's Articles of Association. The Company is managed by the Board of Directors and is represented outside. The Board of Directors performs its duties assigned to it by the General Assembly in accordance with the Turkish Commercial Code, the Capital Markets Law and other relevant legislation. The Board of Directors consists of a total of 6 members, 2 of which are independent. 1 of its members is executive and the other 5 of them are non-executive.

Name-Surname	Duty	Membership Start Date	Duty Selection Date
Mehmet Emin ÖZCAN	Chairman (Independent)	10.06.2019	10.06.2019
Mevlüt UYSAL	Vice Chairman (Independent)	10.06.2019	10.06.2019
Ali CEBECİ	Member	21.02.2019	09.04.2019
Mehmet TANRIVERDİ	Member	06.09.2018	09.04.2019
Dursun Ali KILICLI	Member	20.06.2019	20.06.2019
Erdal BEKİN	Member / Acting General Manager	11.02.2020	11.02.2020

## POWER AND LIMITATION 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 2019, 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

Board of Directors held 43 meetings in the accounting period of January-December 2019 and took 61 decisions in these meetings.

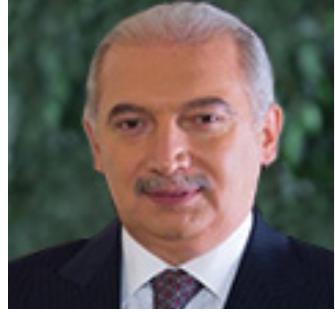


#### Mehmet Emin ÖZCAN - Chairman of BD - Independent



He was born in 1960. He graduated from Ankara University, Faculty of Political Sciences, Department of Economics and Finance in 1982. Having started his professional career in January 1, 1983 as an Assistant Inspector, Özcan then took various responsibilities as a manager at Albaraka Türk Participation Bank. He served as a Board of Directors Managing Directorship of Halk Bankası between March 2003 and April 2005. At the same time, he worked as Bank Representative to Institute of International Finance (IIF), Board Member at Demir-Halk Bank / the Netherlands, Halk Yatırım Menkul Değerler and Halk Finansal Kiralama companies. He worked as a Board Member at Ziraat Bank and Chairman/Member of the Board of Members in international subsidiary banks of the Bank between April 2005 and May 2010. In May 2010, Özcan, who took the duty of Vice Chairman of the Board in Türkiye Halk Bankası A.Ş., took the duty of Demir-Halk Bank Rotterdam Board Membership at the same time. Having been in charge of Vice Chairman of Board of Directors Vakıfbank in March 2013, Özcan also worked as Chairman of the Board of Directors at Vakıfbank International AG - Wien and Vakıf Yatırım; Vice Chairman of the Board of Directors in Vakıf GYO, Vakıf Leasing and Güneş Sigorta. He served as Chairman of T.R.N.C. by the decree of Council of Ministers of T.R.N.C. in February 2017. He was assigned as General Director of Vakıfbank in June 2017. Having been assigned as a Board Member of Türkiye Halk Bankası A.Ş. on May 27, 2019, he has been conducting his duty of Chairman of the Board of Directors of Halk GYO A.Ş. since June 10, 2019.

#### Mevlüt UYSAL - Vice Chairman of BD - Independent



He was born in Antalya in 1966. He graduated from Istanbul University Law Faculty. He worked as lawyer for long years after his graduation. He won Mayoralty of Başakşehir in March 2009 loyal elections. He was nominated again in local elections made in 2014 and continued his duty by being selected as Mayor of Başakşehir for the second time. He served as Metropolitan Municipality of Istanbul by the voting made in the extraordinary meeting of Metropolitan Municipality of Istanbul in September 2017. Having worked as a Board Member at Türkiye Halk Bankası A.Ş since May 27, 2019, he has been conducting his duty of Vice Chairman of the Board of Directors of Halk GYO A.Ş. since June 10, 2019.

#### Ali CEBECİ - Board Member



He was born in Kızılıhamam/Ankara in 1971. He graduated from Ankara University, Faculty of Political Sciences, Department of Labor Economics and Industrial Relations. He continued to work at T. Halk Bankası A.Ş where he started his professional career as an Assistant Inspector in 1995 as Chief Inspector, Ankara 1st Region Coordination Office Credit Allocation and Management Department Manager, Risk Tracking and Liquidation DB Department Manager, Head of Training Department and Head of Internal Control Department at the same bank. Having worked as Head of the Inspection Board of T. Halk Bankası A.Ş. since 12.02.2019, CEBECİ was assigned to the Board Membership of Halk GYO A.Ş. on 21.02.2019.

#### Mehmet TANRIVERDİ - Board Member



He was born in Giresun in 1979. He graduated from Istanbul University, Faculty of Political Sciences, Department of Finance. 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.

#### Dursun Ali KILICLI - Board Member



He was born in İstanbul in 1975. He graduated from Istanbul University, Faculty of Economics, Department of English Economics. He started working as an Assistant Inspector at T. Halk Bankası A.Ş. in 2004. After being served as an Inspector and Senior Inspector, he served in Head of Corporate Commercial Marketing 1st Department as a Head of Department between March 2011 and July 2011. He served as Head of Branch of Edirne between July 2011 and August 2015, as Head of Branch of Eskişehir from August 2015 to January 2016, as Region Coordinator of Samsun from January 2016 to June 2019. Having conducted his duty of Head of Corporate Commercial Marketing 1st Department at T. Halk Bankası A.Ş. since June 18, 2019, KILICLI has been assigned to Board Membership of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. in June 20, 2019.

#### Erdal BEKİN - Acting General Manager and Board Member



Born in Istanbul in 1975 and graduated from Istanbul University Civil Engineering Department in 1998, Erdal BEKİN started his professional career as a Site Manager at Şimşek İnşaat A.Ş. in the same year. Served as a Real Estate Appraiser at Halkbank Regional Directorate Appraisal and Project Evaluation Directorate of Istanbul and Thrace in 1999, Bekin worked as an Engineer in Main Branch of Halkbank in 2000 and Head of Construction and Appraisal Department in 2002, after that he left the same department as a Manager in 2011. Participated to Halk GYO as a Manager in Project Implementation Department in 2011, Bekin served as a Manager in the same department in 2012, as a Head of Project Implementation and Development Department in 2014, as a Deputy of Project Development and Implementation General Manager in 2018. Bekin, who speaks Arabic and English, was assigned to Halk GYO A.Ş. as Board Member and Acting General Manager on 11.02.2020.

## INDEPENDENCE STATEMENTS BY THE BOARD OF DIRECTORS TO THE CAPITAL MARKET BOARD

I hereby declare that I do not have any employment relation in executive position to take upon the important duties and responsibilities between Halk Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (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, that I do not have more than 5 of capital or voting rights or privileged shares either jointly or solely and that I have not established significant commercial relationship,

In the last five years, I have not worked 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 will not work as a full-time employee at public authorities and institutions after being elected as an independent member,

I am located in Turkey in accordance with the Income Tax Law (I.T.L) dated 31/12/1960 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 a 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.

10.06.2019  
Mehmet Emin ÖZCAN  
Chairman of the Board (Independent)

## TO THE CAPITAL MARKET BOARD

I hereby declare that I do not have any employment relation in executive position to take upon the important duties and responsibilities between Halk Gayrimenkul Yatırım Ortaklığı Anonim Şirketi (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, that I do not have more than 5 of capital or voting rights or privileged shares either jointly or solely and that I have not established significant commercial relationship,

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

I will not work as a full-time employee at public authorities and institutions after being elected as an independent member,

I am located in Turkey in accordance with the Income Tax Law (I.T.L) dated 31/12/1960 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 a 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,

I have not registered and announced on behalf of the legal entity selected as a board member.

25.06.2019  
Mevlüt UYSAL  
Vice Chairman of the Board of Directors (Independent)

## COMMITTEES

A Corporate Governance Committee, an Audit Committee, a Remuneration Committee and Committee for Early Detection of Risk 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 three 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 01.01.2019-31.12.2019, 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 year, 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 regulations of corporate governance of Capital Markets Board, 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.

**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.

As of 31.12.2019, the committees and distribution of duties are as follows:

### MEMBERS OF THE AUDIT COMMITTEE

Name and Surname	Duty
Mehmet Emin ÖZCAN	Chairman - Independent Board Member
Mevlüt UYSAL	Member - Independent Board Member

### MEMBERS OF CORPORATE GOVERNANCE COMMITTEE

Name and Surname	Duty
Mehmet Emin ÖZCAN	Chairman - Independent Board Member
Dursun Ali KILICLI	Member - Board Member
Uğur GÜNEY	Member - Corporate Communications and Investor Relations Director

### MEMBERS OF COMMITTEE FOR EARLY DETECTION OF RISK

Name and Surname	Duty
Mehmet Emin ÖZCAN	Chairman - Independent Board Member
Mevlüt UYSAL	Member - Independent Board Member

### REMUNERATION COMMITTEE

Name and Surname	Duty
Mehmet Emin ÖZCAN	Chairman - Independent Board Member
Ali CEBECİ	Member- Board Member



# EVALUATION OF THE BOARD OF DIRECTORS ON THE EFFECTIVENESS OF THE COMMITTEES

The Company's committees, established within the framework of Capital Markets Board, Corporate Management Principles and Board of Directors, Remuneration Committee assembled at least once per annum, other committees gathered at least three times per monthly and informed Board of Directors regularly on the subjects under existing operating principles.

In this context;

**Corporate Governance Committee;** conducted studies to regularly review the Company's corporate governance practices and to make improvements 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 year, Committee assembled 4 meetings and prepared 4 reports on the concerned topics to submit to the Board of Directors.

**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 year, 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.

**Committee for Early Detection of Risk;** 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, and submitted its reports related to these topics to the Board of Directors during the year. During the year, 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;** 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.

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

# SENIOR MANAGEMENT

Name and Surname	Duty	Profession
Erdal BEKİN	Deputy of GM for Project Application and Development Acting General Manager / Board Member	Construction Engineer
Yaşar GÖKTAŞ	Deputy of GM for Financial Planning and Management	Banker
Uğur GÜNEY	Corporate Communications 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 Vice 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 year is TRY 1,963,398. (January 1- December 31, 2018: 1,434,490 TRY)

## Changes in the Board of Directors and Executives

Ali CEBECİ was assigned to Board Membership in order to be submitted to the approval of first General Assembly which has been vacated after the resignation of our Company's Board Member Hakan OZYOL on 11.02.2019.

Adil Mahmut EROGLU was assigned to Independent Board Membership in order to be submitted to the approval of first General Assembly which has been vacated after the resignation of our Company's Board Member Yüksel GORGEÇ on 22.04.2019.

Mehmet Emin OZCAN and Mevlüt UYSAL were assigned to Board Membership as of 10.06.2019 in order to be submitted to the approval of first General Assembly which has been vacated after the resignation of our Company's Chairman of the Board and Independent Board Member Mehmet Nihat ÖMEROĞLU on 31.05.2019. It has been decided to select OZCAN who was assigned as an Independent Member, as Chairman of the Board and

Mevlüt UYSAL was assigned as Vice Chairman of the Board with the same-dated resolution of the Board of Directors.

Our Company's Board Member Selahattin SULEYMANOĞLU resigned on 20.06.2019. It has been decided to assign Dursun Ali KILICLI in order to be submitted to the approval of first General Assembly which has been vacated after the resignation of Selahattin Süleymanoğlu.

Our Company's Board Member Mevlüt UYSAL was assigned as an Independent Member in order to be submitted to the approval of first General Assembly which has been vacated after the resignation of our Company's Independent Board Member Adil Mahmut EROĞLU on 21.06.2019.

Our Company's Board Member and General Manager Dr. Feyzullah YETGIN resigned on 11.02.2020. It has been decided by our Board of Directors to assign our Company's Vice General Manager, Erdal BEKİN, to our Company's Board Membership which was vacated with the resignation of Yetgin in order to be submitted to the approval of first General Assembly and to conduct the duty of General Manager by proxy in order to carry out the powers and duties of General Manager.

## CAPITAL OF THE COMPANY AND PARTNERSHIP STRUCTURE

The capital information and partnership structure of our Company as of December 31, 2019 is as follows.

### CAPITAL DETAILS

Issued Capital 928,000,000 TRY  
Registered Capital 1,500,000,000 TRY

			31.12.2019		31.12.2018
	Group	Share Rate %	Share Amount TRY	Share Rate %	Share Amount TRY
Türkiye Halk Bankası A.Ş.	A	1.58	14,663,069,719	1.58	13,557,019,17
Türkiye Halk Bankası A.Ş.	B	70.38	653,146,923,394	70.38	603,879,347,433
Halk Yatırım A.Ş.	A	0.04	350,188,520	0.04	323,773,463
Halk Finansal Kiralama A.Ş.	A	<0.01	1,396	<0.01	1,291
Publicly Held Portion*	B	28.00	259,839,816,971	28.00	240,239,858,637
Capital Receipts		100.00	928,000,000,000	100.00	858,000,000,000

\*As of 31.12.2019; Türkiye Halk Bankası A.Ş. has 68,341,356.269 nominal shares; and Halk GYO has 26,162,328.288 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 TRY	662,500,000 TRY	-
2	25.06.2013	Bonus Shares from 2012 - year profit	1.6813 %	662,500,000 TRY	673,638,704 TRY	-
3	09.06.2014	Bonus Shares from 2013 - year profit	3.6015 %	673,638,704 TRY	697,900,000 TRY	3.0 million TRY
4	15.06.2015	Bonus Shares from 2014 - year profit	6.4622 %	697,900,000 TRY	743,000,000 TRY	5.9 million TRY
5	27.05.2016	Bonus Shares from 2015 - year profit	6.3257 %	743,000,000 TRY	790,000,000 TRY	5.4 million TRY
6	18.08.2017	Bonus Shares from 2016 - year profit	3.7975 %	790,000,000 TRY	820,000,000 TRY	3.0 million TRY
7	22.06.2018	Bonus Shares from 2017 - year profit	4.6341 %	820,000,000 TRY	858,000,000 TRY	3.8 million TRY
8	24.06.2019	Bonus Shares from 2018 - year profit	8.1585 %	858,000,000 TRY	928,000,000 TRY	5.0 million TRY

The total share of 928,000,000 shares with a nominal value per share of TRY 1 are composed of 15,013,259.635 Group A shares and 912,986,740.365 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 December 31, 2019 are provided below:

Shareholder	Share
Türkiye Halk Bankası A.Ş.	79.33 %
Ratio of Non-public Shares to Total Capital	71.96 %
Ratio Of Publicly Traded Shares To Total Capital	7.36 % *

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

## EVALUATION OF THE PERIOD FROM JANUARY 1, 2019 TO DECEMBER 31, 2019

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

The Communiqué which establishes exemptions for the partnership having management power of public institutions and organizations under the transactions that cannot be executed by real estate investment partnerships in Communiqué on Principles Regarding Real Estate Investment Partnerships no Serial III-48.1 has been enacted by Capital Markets Board by being published in Official Gazette dated September 27, 2019 and numbered 30901. The clause (d) of paragraph 1 of Article 23 of the Communiqué has been updated as follows in this scope:

“23-1-d) They shall not provide service project development, project control, financial feasibility, follow-up of legal permits and similar services to the persons and organizations apart from the projects subject or to be subject to the portfolio through its personnel.

However, the services given in this clause regarding the projects conducted by the public institutions or organizations and their affiliated partnerships, subsidiaries and the companies with privileged shares can be provided by the partnerships with management power of public institutions and organizations.”

## ECONOMIC AND SECTORAL DEVELOPMENTS

### World Economy

Execution of interest rate cuts for 3 times in 2019 by The Federal Reserve of America (FED), which increased its interest rates four times during 2018, execution of 1 interest rate cut by the European Central Bank (ECB) in 2019, which ended its asset purchase program by the end of December 2018, after announcing its new Long-Term Refinancing Transactions (TLTRO) program in September, and assignment of former IMF President Christine Lagarde as the new ECB President, non-amendment of interest by Bank of Japan and Bank of England, Syrian civil war and refugee process and Idlib developments affecting many countries afterwards and revocation process developments towards Trump in the U.S., official leave of Britain, which held an early election following the ongoing Brexit conflict from European Union as of January 31, 2020 by having the majority which would make Boris Johnson free who is known with his determination of Brexit, the U.S. decision to withdraw from Syria, the U.S. and China negotiations and signing partial agreement, developments regarding the increasing tension between Iran and the U.S. after that Iran hit the U.S. embassy in Iraq, new sanctions of the U.S. imposed to Iran and Russia, Britain and Iran tension started with the ship crisis, military coup in Sudan, Golan Hills discussions, increasing India and Pakistan tension, government crisis in Italy, actions against the government in Hong Kong, protests in Chile, demonstrations against the government in Iraq, growing protests in Iran which started with oil hike, Libyan developments being followed globally, G-20 Summit in Japan and G-7 Summit in France were on the agenda as the important economic and political developments of 2019.

Oil prices that increased at the beginning of January 2020 due to the supply disruptions in Libya and Venezuela in addition to supply cut in OPEC, surprising decrease in the U.S. stocks and the news that the U.S. will remove the exemption for oil purchase from Iran to several countries and the developments with Iraq and Libya; decreased again in January 2020 to 59\$ per barrel since the declaration of OPEC that it will not keep the production decrease, the statement of Saudi Arabia that it will restore the production to the previous levels after the attack against the facilities of Saudi Aramco, the national oil company, and that the expectations created by Coronavirus that travel will decrease, resulted in a decrease in the demand for oil.

In the fourth quarter of 2019, the U.S. grew by 2.1 percent compared to the same quarter of last year, while in 2019, it grew by 2.3 percent compared to the previous year. In this growth data, which has been at its lowest level since 2016, although import has been its biggest contribution to growth since 2009 with Trump's policies, the influences

of the sharp decline in consumer expenditures have been observed. The inflation data, which remained below the target of 2 percent increase rate in 2019, despite of the decrease in food prices, it increased up to 2.3 percent in December with an increase in fuel prices, reaching the highest rate of increase since October 2018. The unemployment rate, which rose up to 4 percent in January 2019, decline to 3.5 percent in September, and remained 3.5 percent in December as well, after declining to its lowest level since December 1969. In the latest meeting of December 2018, after that the FED, which increased the funding rate to 2.25-2.50 with an increase of 25 basis points each, with the statement that it would act “patient” while adjusting the interest rates in the June meeting and with the growth data that exceeded expectations (2nd quarter: 2 percent), and strengthening its expectation that it will cut the interest rates, in FOMC meeting of July, it dropped the funding rate to the range of 2.00 - 2.25 percent with an interest rate cut of 25 basis points, justifying the global developments and weak inflation. Thus, FOMC had break to its consolidation cycle to which it started at the end of 2015, by applying interest discount for the first time in 10 years. It has been also stated that contraction of balance sheet would be ended as of August, 1. In the meeting of September, it applied additional interest discount of 25 basis points, stating that it was applied for protecting economic power and assurance against risks and dropped the funding interest to 1.75-2.00 percent. In October, in addition to the interest discounts, the FED which took a step towards monetary expansion, by starting bond purchase of 60 billion dollar per month as of October 15, highlighted its strong outlook in growth and employment market in the meeting of October as well, stating that inflationist pressures still remain, and applied one more discount of 25 basis points and dropped funding interest to 1.5-1.75 percent. The FED which did not make any amendment in the latest meeting of the year, has completed 2019 with 3 interest discounts. It did not also make any amendment in the latest meeting held in January 2020.

The Eurozone, which achieved the slowest growth since the 4th quarter of 2013 in the fourth quarter of 2019 with 1 percent compared to the same quarter of the previous year, grew by 1.4 percent in the whole of 2019. The unemployment rate, which was 7.8 percent in January, continued to decrease during the year and decreased to its lowest level since May 2008, reaching 7.4 percent in December. After that the inflation increase rate declined to 1.4 percent due to the fall in energy prices in January 2019, in the Euro Zone, which declined unexpectedly in October to an annual rate of 0.7 percent in October due to the further decrease of energy prices, inflation increase rate rose to 1.3 percent, with the energy prices that has started to bounce back in December.



European Central Bank (ECB) of which the most fundamental objective is to prevent deflation and which made no amendment in the interests in 2018, has ended its asset purchase program in December 2018. ECB, which did not make any change in the interests until September in its meetings of 2019, pointed out the inflation which decreased in September after the dovish signals, stating that new expansive policies were being reviewed and it decreased the deposit interest from minus 0.4 percent to minus 0.5 percent by decreasing 10 basis points as expected and it also stated that it would purchase bond of 20 billion Euros per month as of November 1 and that the bond purchases would continue as long as it is required. Following this decision, ECB which did not make any amendment in the remaining meetings of 2019, did not make any amendment in the meeting of January, the first meeting of 2020, as well.

In **World Economic Outlook Report** published in January, the **IMF** observed that trade tensions continued to be the main risk factor for global economic growth, and noted that the global growth was expected to drop 3.5 percent in 2019, with decrease of 0.2 percent compared to the forecast for October 2018, and 3.6 percent in 2020, with a decrease of 0.1 percent. In the report, it has been also stated that the economic growth forecast for emerged markets dropped to 2 percent by a downfall of 0.1 points for 2019, and kept stable with 1.7 for 2020, whereas it has been noted that the growth forecast for emerging markets for 2019 has been decreased to 4.5 percent with a decrease of 0.2 points, and it was kept stable with 4.9 points for the next year.. In the revised report published in April, the IMF announced that it had reduced growth forecasts from 3.5 percent to 3.3 percent for 2019, with the expectation of slowdown and fragilities in global growth, keeping growth forecasts stable at 3.6 for 2020. The growth forecast regarding the developed economies dropped to 1.8 from 2 percent for 2019, while it was kept stable at 1.7 percent for 2020. In the report published in July, it made a warning that the wrong political steps that could be taken towards global commerce and Brexit might result in diversion against economic bounce and stated that it has expected a growth of 3.2 percent for 2019 and 3.5 percent for 2020 by decreasing its global growth expectation by 0.1 points. In the report published in October, it stated that it dropped its expectation for global economic growth from 3.2 percent to 3 percent for this year, and from 3.5 percent to 3.4 percent for 2020. In the report in which the decrease was a result of increasing commercial controversies, the structural determinants such as further commercial and geopolitical high certainties, specific factors related to developing economies causing macroeconomic pressure, low efficiency increase and aging population in the developed economies have been shown as the other factors affecting low growth of global economy. In the latest report published in January 2020, it has been stated that the global economic growth has decreased from 3 percent to 2.9 for 2019, from 3.4 to 3.3 for 2020 and from 3.6 to 3.4 for 2021. In the report in which it has stated that the downside revision in the growth was reflecting the negative developments for the

economic activities in several developing markets, particularly in India, it has been noted that this condition resulted in re-evaluation of growth expectations.

In **“Economic Outlook Report”** published in November 2018, **OECD** decreased the growth forecast of 2019 to 0.2 points and dropped to 3.5 percent, stating that the world economy was ready to “soft landing.” The organization announced that its growth forecast of 2020 for world economy was 3.5 percent. In **“Intermediate Economic Outlook Report”** published in March, the organization highlighted that the economic slowdown in China and Europe and weakness of world commerce were two factors risking the global economy, while the global economic growth forecast was decreased by 0.2 points for 2019 and dropped to 3.3 percent by cutting down by 0.1 points and dropped to 3.4 percent for 2020. In **“Economic Outlook Report”** published in May, it has stated that increasing global commercial tension was effective, that commerce and investments decreased severely particular in Europe and China, while it dropped the global economic growth forecast to 3.2 percent for 2019, highlighting that the policies remained uncertain with decrease in business and consumer trusts. In its report published in September, it has updated the report published in May and stated that the commercial disagreements lowered global growth acceleration to the levels seen in financial crisis period and that the governments have not shown the required effort to avoid of long-term damage, and dropped the growth expectation of this year from 3.2 percent to 2.9 percent. The organization has reduced the global growth expectation regarding 2020 from 3.4 to 3. Finally, in the second **“Economic Outlook Report”** published in November, it has been stated that the global economic outlook was fragile and informed that cyclic crisis has been consolidated. In the report, the growth forecast of 2019 remained at 2.9 percent, while the growth forecast of 2020 as 3 percent decreased to 2.9 percent in the interim report published in September for world economy.

In the publication of January 2019 of **“Global Economic Expectations Report”** published semiannually, **World Bank** , informed that the global growth forecast regarding the end of 2019 was dropped from 3 percent to 2.9 percent. In the report, it has been noted 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 have a growth by 2 percent in 2019. In the report published in June, it pointed out commercial disagreements, financial challenges and slowdown in unexpected level in the economy of rich countries, and dropped the global growth forecast of 2019 from 2.9 percent to 2.6 percent.

## Turkish Economy

In Turkey's economy; global markets, fluctuations in exchange rates, Syrian refugee process, cross-border operations in Syria and Iraq, the struggle against terrorism, S-400 developments and subsequent developments, Eastern Mediterranean developments, inflation rates declining to single digits and rate cut steps by CBT based on this fall, the highest 12-month current account surplus reached of the latest 17 years in July, disclosed new reform package and New Economic Program (NEP) disclosed in September, local elections and results, Operation Peace Spring of Turkey carried out in the north of Syria north and its reflections on the global markets, which resulted with the 13-article text signed with the U.S. and 10-article memorandum of understanding signed with Russia, the memorandum of understanding on the restriction of the maritime jurisdiction signed with Libya, and the acceptance of the license on sending troops to Libya by Turkish Grand National Assembly were among the most substantial economic and political agenda topics in 2019.

As a chained volume index (2009=100), Turkey's economy narrowed down by 2.3 percent in the first quarter of 2019 compared to the same quarter of the previous year, narrowed down by 1.6 percent in 2nd quarter and grew by 0.9 percent in 3rd quarter. The increase trend of service and industrial sectors which fell in the first two quarters reflected positively on the growth in 3rd quarter.

After that the unemployment rate which increased to 14.7 percent in January regressed to 12.8 percent in May, it decreased 13.3 percent in November. After that the annual increase rate of 9.26 percent in September decreased to single digits for the first time since July 2017, CPI which regressed up to 8.55 percent in October as well, increased up to 11.84 percent in December and to 12.15 percent

by January 2020. PPI was announced as 8.84 percent. The highest monthly and yearly increases were shown in the food and non-alcoholic beverages and tobacco group, with 4.88 percent and 42.21 percent respectively. In the published Price-Developments-January Report published, CBT stated that the low base effect in the same period of the previous year was reflected as a significant increase in energy inflation despite of regression in the food prices.

In the meeting of September 2018, CBT, which rose its policy interest (1-week repo auction rate) by 6.25 points to 24 percent, did not make any amendment in interest rates in the first half of 2019, but signaled that it would cut interest rates in the coming months at its meeting in June. In the meeting of July, it decreased the policy interest by 425 basis points above expectations, from 24 percent to 19.25 percent, for the first time after February 2015, getting support from the falling inflation figures as well. CBT stated that net export would maintain its distribution to growth in the next period, its gradual recovery in the economy together with the decline trend in inflation and partial improvement in financial conditions and made no amendment in the other interests. After that the inflation maintained its downfall in August as well with 15.01 percent and decreased to its lowest level of the latest 15 months, CBT applied a discount in September as well in parallel to the expectations and stated that the data disclosed in the latest period continued to its modest recovery trend in economic activity and dropped the political interest to 16.50 percent by decreasing 325 basis points. After the interest discount, the required reserved ratios applied in foreign currency deposits/participation funds increased by 100 base points in all maturity segments in order for supporting financial stability. With the regression of inflation to the single digits in September, in the last

meeting in October, it announced that it decided to decrease political interest by 250 basis points and by taking all factors influencing the inflation outlook into consideration and decreased political interest from 16.50 percent to 14 percent with the discount of 250 basis points. In the announcement made by Bank, it stated that while the positive effect of competitive developments continued, the weakening in the global growth outlook partially slowed foreign demand, predicted that the contribution of net exports to growth would continue even by decreasing, and it anticipated that gradual recovery would continue in the economy together with the decrease trend in inflation and improvement in financial circumstances. In the meeting held in December, it stated the data regarding the last period showed that the recovery trend in economy activity and dropped the political interest to 12 percent by lowering 200 basis points. Thus, CBT which ended 2019 with a discount of 1200 basis points in total, stated that the improvement in macroeconomic indicators particularly inflation, supported downfall in country risk premium and contributed to the limitation of pressures on cost factors in the last meeting in January and reduced political interest to 11.25 percent by decreasing further by 75 basis points.

Foreign trade deficit increased by 57.6 percent and reached to 4 billion 325 million dollar compared to the same month of the previous year in December. Export increased by 6.4 percent annually, while import increased by 14.9 percent in the same period. Foreign trade deficit decreased by 43.5 percent and recessed from 55 billion 126 million dollar to 31 billion 174 million dollar in 2019. The comparison rate of export to import was 75.3 percent in 2018, while it increased to 84.6 percent in 2019.

In August 2018, **Moody's** decreased Turkey's credit rating from "Ba2" to "Ba3" and revised the outlook from "stable" to "negative," stating 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. In the report published in February 2019, it pointed out the forecast that inflation in Turkey was not expected to be decreased rapidly enough to allow policy loosening in the recent term, while it noted that it was anticipated that Turkey's economy would narrow down by 2.0 percent at the end of this year and grow by 3 percent at the end of 2020. The institution keeping its forecasts in the report published in April, showed that payment balance crisis continued to increase in June and reduced Turkey's credit rating from "Ba3" to "B1 and kept its outlook as "negative". In the last report in November, it informed that growth expectation of Turkey's economy was revised upwards and increased from minus 2 percent to 0.2 percent in 2019, from 2 percent to 3 percent in 2020 and 3 percent in 2021. In the report regarding the justification for the upward revision, it has stated that, "The growth acceleration in Turkey is carried out more rapid than the expected. Growth-friendly financial policies were effective in growth acceleration in Turkey." In the last evaluation in December it did not make any update in Turkey's credit rating and kept its credit rating as "B1" and its outlook as "negative".

In "Global Economic Outlook Report" published in March, Fitch Ratings (Fitch) which decreased its forecast from 1.2 percent to 0.6 for 2019 and from 3.9 percent to 3.1 percent for 2020 in December 2018, showing the reasons for the decline as growth and high inflation below the trend that would continue for a long time, it had stated that economic recovery would be slow and that maintaining consistent monetary and fiscal policy adjustments in a low growth

environment was a key criterion in terms of credibility in economic policy, and they reported that they informed their growth forecasts of 2019 as a 1.1% contraction in their report. In the same report, it had been stated that Turkey's economic performance improved for 2020 and that the economy was anticipated to grow 3.1 percent. In July 2018, the international credit rating agency decreasing Turkey's credit rating from "BB+" to "BB" and its outlook from "stable" to "negative" by highlighting that the downside risks on macro economic stability have strengthened due to economic bounce in inflation and increase in current deficit, has also made no change in scoring outlook and growth expectations of March in May 2019. In June, it informed that Turkey's credit rating has been decreased from "BB" to "BB-" and that its rating outlook was "negative". Last developments regarding Central Bank, delay of expected growth in balancing in the economy, delay in downfall of inflation and bearing the risk of the U.S. sanctions of the delivery of S-400 air defense systems by Turkey from Russia were shown as among the reasons of decrease of credit rating. In June again, the agency which announced that it expected 1.1 percent of contraction in 2019, stating that the contraction in the current deficit in Turkey's economy was not the reflection to CBT's currency reserves in the direction of increase, noted in its last report in October that the most concrete growth revisions were in Turkey thank to the growth in 2nd quarter more than the expectation and revised Turkey's growth expectation of 2019 upwards from minus 1.1% to minus 0.3%. In the evaluation in November, Turkey's credit rating was confirmed as "BB-" and revised its outlook from "negative" to "stable".

In the same report, the agency stating that there has been a relief in downside risks since July, sorted these reliefs as improving the current account balance, increasing foreign currency reserves, continuing economic growth,

decreasing inflation, appreciating the Turkish lira despite interest rates falling, formation of more supportive global financing, abolition of the decision regarding the sanction taken by the U.S. against Turkey about Syria.

**Standart&Poor's (S&P)** as another international credit rating agency, remarked that weak course of Lira in August 2018 and high inflation and high current deficit were the fundamental factors in fragility of Turkey and confirmed that Turkey's credit rating in foreign currency was decreased from "BB-" to "B+" and its outlook was confirmed as 'stable'. In the evaluation made in February 2019, it did not make any amendment and confirmed Turkey's long-term credit rating in foreign currency as "B+" and long-term credit rating in local currency as "BB-". It repeated its outlook as "stable". In the same evaluation, S&P, which stated that the weakening of Turkey's economic growth substantially beyond the projections might reduce Turkey's ratings, also highlighted that they expected Turkey's economy to narrow down by 0.5 percent in this year. The agency which did not make any amendment in the rating outlook and growth forecast in August, stated that it was expected Turkey's economy to expand by 3 percent in the next year. In the last evaluation made in February 2020, the agency which confirmed Turkey's credit rating in "B+" and its outlook as "stable", forecasted that Turkey would grown by 3.5 percent this year and by 3.3 percent in the next year, while its inflation forest was11.3 percent for this year and 9 percent for the next year.

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		YEP	
	2019	2020	2019	2020	2019	2020	2019	2020
Growth	0.0	3.0	0.2	3.0	3.3	3.0	0.5	5.0
Inflation	16.5	11.0	13.5	12.0	15.8	13.2	12.0	8.5
Unemployment	-	-	13.8	13.7	13.5	13.2	12.9	11.8
Current Balance/ GDP	-0.8	-3.1	-0.6	-7.2	0.3	-0.7	-2.9	-1.2

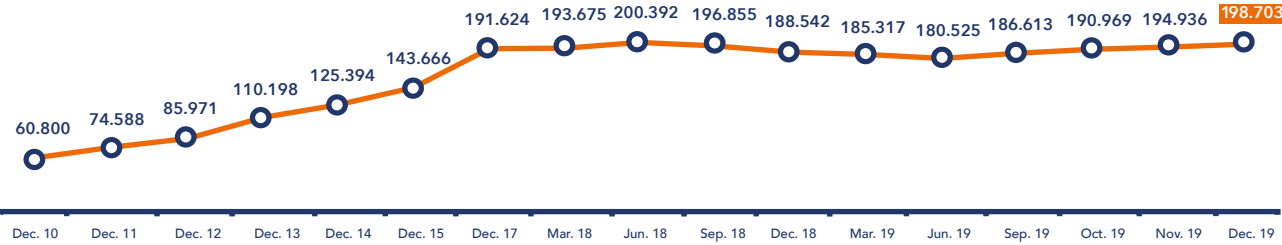
## Developments in the Sector

The construction sector has decreased by 7.8 percent in the third quarter of 2019. 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", Zoning Peace regulations, transition to use of TRY in rents, and the Real Estate Exchange planned to be established and decrease of residential loan interest rates up to 0.79 by public banks were also closely followed by the sector.

**The Construction Revenue Index**, an important indicator for the sector, declined by 2.6 percent in November compared to the same month of the previous year.

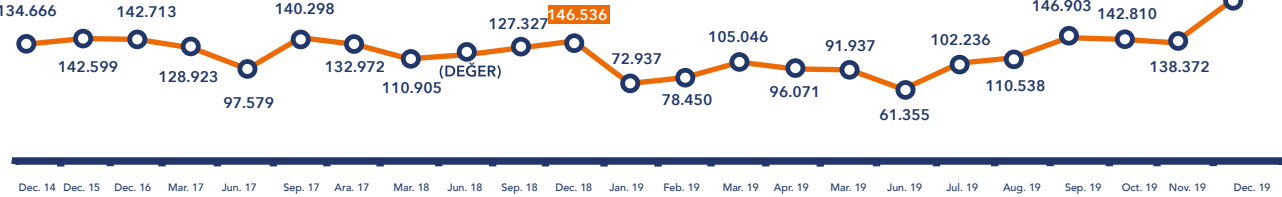
In the January-September period of 2019, surface area of buildings which got **Construction Permits** decreased by 58 percent. The total area of the buildings is 45.5 million sqm; of which 20.3 million sqm were residences, 17.1 million sqm were non-residences and 8 million sqm were common usage areas.

### Housing Loan (m TRY)



In Turkey, **residential sales** in December showed a 47.7 percent increase compared to the same month of the previous year and reached 202,074 units. In 2019, a total of 1,348,729 residences were sold. The number of residences sold to foreign nationals within the year has increased by 14.7 percent compared to the previous year.

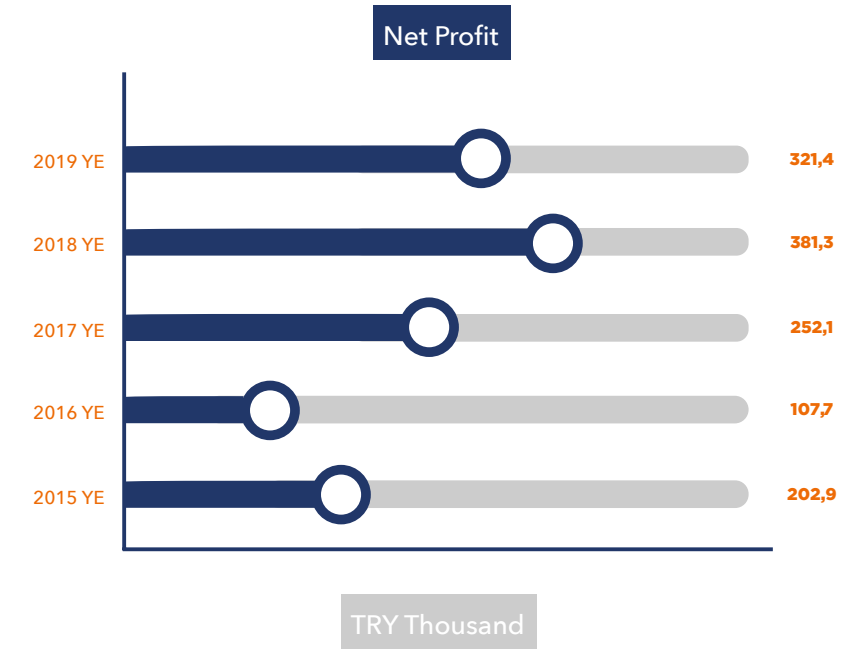
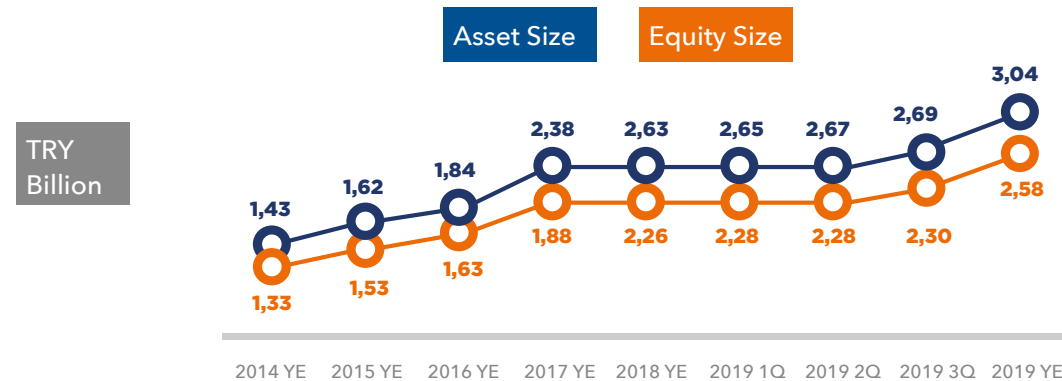
### Housing Sales Number



**The Residential Property Price Index** was 117.10 as of November. The unit prices, calculated as residential value per square meter, were 2,886.47 TRY/sqm in November 2019.

## Financial Performance

Income Statement Data (TRY)	01.01.2019	01.01.2018
	31.12.2019	31.12.2018
<b>Total Revenue</b>	<b>129,978,874</b>	<b>319,158,974</b>
- Income from Residence Sales	71,657,271	252,924,725
- Rent Income	54,617,196	61,000,045
- Financial Income	3,704,407	5,234,204
<b>Cost of Sales</b>	<b>(42,155,655)</b>	<b>(216,626,386)</b>
- Cost of Residence Sales	(39,783,010)	(210,353,577)
- Other Costs	(2,372,645)	(6,272,809)
<b>Gross Profit</b>	<b>87,823,219</b>	<b>102,532,588</b>
General Administrative Expenses	(15,141,458)	(12,811,718)
Sales - Marketing Expenses	(4,993,522)	(4,671,801)
Other Income from Main Activities	2,288,368	6,316,561
Other Expenses on Main Activities	(481,752)	(1,861,940)
<b>Operating Profit</b>	<b>69,494,855</b>	<b>89,503,690</b>
Value Increment of Investment Property	262,434,998	306,881,143
<b>Operating Income Before Financing Expenses</b>	<b>331,929,853</b>	<b>396,384,833</b>
Financial Expenses	(10,521,639)	(15,039,947)
<b>Period Income before Tax</b>	<b>321,408,214</b>	<b>381,344,886</b>
<b>Net Profit for the Period</b>	<b>321,408,214</b>	<b>381,344,886</b>
<b>Balance Sheet Data (TRY)</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Assets	3,039,209,130	2,632,793,393
Equities	2,578,219,682	2,261,618,820
Total Financial Debt	433,407,135	314,624,202
<b>Basic Ratios</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Financial Debt / Equities	%16.8	%13.9
Equities / Total Assets	%84.8	%85.9
Return on Average Asset	%11.3	%15.2
Return on Average Equity	%13.2	%18.4



## 2019 REALIZATIONS & 2020 TARGETS

At the end of the year, our Company posted a net profit of 321 million TRY, a shareholder equity of 2.6 billion TRY and an asset size of 3 billion TRY, with the contribution of existing house sales and the increase in the value of investment properties. Our company's return on average equity realized as 13.24% and return on average asset realized as 11.3% while it was estimated as 12%.

Our main income items are rent income, residential sales revenue and financial income. The total gross revenue of our Company has been realized as TRY 130 million by the end of 2019 and the real estate size is close to TRY 2.8 billion with the last precedent values. Our company's rental income from office and hotel buildings in its portfolio increased by 17.5% compared to the end of last year and reached TL 71.6 million.

The construction of Halk Office Towers is ongoing under the project of İstanbul International Financial Center Project, while turnkeys of flats in Bizimtepe Aydos and Şehristan Residences have been substantially completed which are related to our Company that continues its investments and activities under the framework of strategic portfolio management during 2019.

We anticipate that the Company, which manages its real estate portfolio with the strategy of "providing high return to its stakeholders through an equity weighted financing model by developing it with a focus on commercial properties with a potential of generating high rental income", will achieve an average return on assets around 8% in 2020.

Sincerely,

Halk Gayrimenkul Yatırım Ortaklığı A.Ş.  
Board of Directors



COMPANY ACTIVITIES FROM JANUARY 1, 2019 TO DECEMBER 31, 2019

1 - Portfolio Activities

Work regarding the Company's portfolio and activities during the January-December 2019 interim fiscal period was as follows:

For 15 real estate properties for which Türkiye Halk Bankası A.Ş. is the tenant, an additional protocol was signed for the increase at the rate of 15% upon the rental fees of January 2018 being valid as of 01.01.2019 until the period of new rental increase.

For 2019, it has been 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, it has been decided to purchase appraisal services from “Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.” or “Adım Gayrimenkul Değerleme A.Ş”.

The building use permits for the “Şehristan Residences” project located in Yakutiye, Erzurum, implemented in 2016 in partnership with Er Konut A.Ş. and the “Bizimtepe Aydos” project located in Sancaktepe, İstanbul, implemented in partnership with Vakıf GYO A.Ş.have been obtained.

It has been decided to rent “Bahçelievler 2” in our Company's portfolio being valid as o 01.04.2019 to İpekyol Giyim San. Paz. ve Tic. A.Ş. for 5 year-period with the amount of 43,000 TRY+VAT monthly for the first year and to implement new period (annual) rental increase at the rate of average of 12-month Consumer Price Index (CPI) for March each year.

The real estate qualified as nursery school under the project of Bizimtepe Aydos project realized with Halk GYO- Vakıf GYO Ordinary Partnership (50%/50%) was rented jointly with Vakıf GYO to Yakın Ufuklar Eğitim Kurumları A.Ş. as of 10.04.2019 and for a price of 29,000 TRY + VAT monthly. The rental agreement is for 5+5 yearly period and it was decided that the new period (annual) rental increase was applied at the rate of 12-month (CPI+PPI) average in June each year.

The real estate qualified as warehouse workplace under Bizimtepe Aydos which was realized with Halk GYO - Vakıf GYO Ordinary Partnership (50% - 50%) was rented jointly with Vakıf GYO to Mopaş Marketçilik Gıda Sanayi ve Ticaret A.Ş. as of 01.06.2019 with the amount of 15,500 TRY +VAT monthly. If the tenant exceeds 4% of his monthly turnover, excluding VAT and monopoly products, the turnover will be taken into consideration as the rental price. The rental agreement is for 10 years and it was decided that the new period (annual) rental increase was applied at the rate of 12-month (CPI+PPI) average in May each year.

The collaboration of Bizimtepe Aydos project which was realized by our Company with Vakıf GYO, with the sales and marketing consultant firm Aremas Gayrimenkul Pazarlama ve Danışmanlık Hizmetleri A.Ş, which has been working with since 2015, has been ended on May due to the fact that the period of contract has been expired.

In accordance with the decision taken by our Board of Directors regarding Kocaeli Şekerpınar Block A which was rented for 10 years to our main partner Türkiye Halk Bankası A.Ş. as of 15.04.2015 and of which has annual rental increase rate is (CPI+PPI)/2; limited to the rental period of 01.05.2019 and 30.04.2020; an additional protocol signature was

signed for determining 12-month rental fee as 665,869,22 TY by applying increase at the rate of 15% compared to the rental fee of the previous rental fee.

The real estate qualified as warehouse workplace under the project of Bizimtepe Aydos project realized with Halk GYO- Vakıf GYO Ordinary Partnership (50%/50%) was rented jointly with Vakıf GYO as of 01.06.2019 and for a price of 1,800 TRY + VAT monthly. The rental agreement is for 3 years and it was decided that the new period (annual) rental increase was applied at the rate of 12-month (CPI+PPI) average in May each year.

The real estate qualified as workplace under the project of Bizimtepe Aydos project realized with Halk GYO- Vakıf GYO Ordinary Partnership (50%/50%) was rented jointly with Vakıf GYO as of 10.07.2019 and for a price of 2,100 TRY + VAT monthly. The rental agreement is for 5 yearly period and it was decided that the new period (annual) rental increase was applied at the rate of 12-month (CPI+PPI) average in June each year.

175 residences the total appraisal value of which is 55,431,795.19 TRY + VAT and 1 commercial real estate the appraisal value of which is 913,315.20 TRY + VAT, located in our Şehristan Residential project being conducted by Halk GYO (50%) – Er Konut (50%) Ordinary Partnership on the real property registered on Erzurum Province - Yakutiye District - Gez Quarter - Block 250 - plot 10 have been sold to Er Konut A.Ş. by the Ordinary Partnership. As a result of the sales transaction, a contract has been signed for purchase by our company of 8 real properties qualified as land upon a total appraisal amount of 28,556,000.00 TRY (including VAT) owned by Er Konut A.Ş. in return for the receivable amount accrued to our Company (50%).

The real estate qualified as workplace under the project of Bizimtepe Aydos project realized with Halk GYO- Vakıf GYO Ordinary Partnership (50%/50%) was rented by a real person jointly with Vakıf GYO as of 01.11.2019 and for a price of 2,800 TRY + VAT monthly. The rental agreement is for 5+5 years and it was decided that the new period (annual) rental increase was applied at the rate of 12-month (CPI+PPI) average in October each year.

2 real estates qualified as workplaceunder the project of Bizimtepe Aydos project realized with Halk GYO- Vakıf GYO Ordinary Partnership (50%/50%) was rented jointly with Vakıf GYO as of 30.12.2019 and for a price of 8,500+VAT to Remax Arge – Akatlı Grup Gayrimenkul Taahhüt İnşaat Sanayi ve Dış Ticaret Ltd.Şti.. The rental agreement is for 5+5 years and it was decided that the new period (annual) rental increase was applied at the rate of 12-month (CPI+PPI) average in November each year.

6 real estates (159.49 sqm of total net area) qualified as workshop under the project of Bizimtepe Aydos project realized with Halk GYO- Vakıf GYO Ordinary Partnership (50%/50%) was rented jointly with Vakıf GYO and for a price of 4,800 TRY + VAT monthly to a real person as of 22.01.2020. The rental agreement is for 5+5 years and it was decided that the new period (annual) rental increase was applied at the rate of 12-month (CPI+PPI) average in December each year.

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

2 - FINANCIAL STRUCTURE ACTIVITIES

1. Outstanding Capital Market Instruments

Type	Amount Issued		Date of Issue	Date of Redemption	Return Rate (%)	Type of Issue
	Amount	Currency				
Lease Certificate (Based on Management Contract) (TRDHVKA32012)	100,000,000	TRY	09.10.2019	10.03.2020	Period Return / 5.8684 % Annual Simple Return / 14.00 %	Qualified Investor
Lease Certificate (Based on Management Contract) (TRDHVKA52010)	185,000,000	TRY	17.12.2019	12.05.2020	Period Return / 4.3898 % Annual Simple Return / 10.90 %	Qualified Investor
Lease Certificate (Based on Management Contract) (TRDHVKA62027)	75,000,000	TRY	07.01.2020	02.06.2020	Period Return / 4.3898 % Annual Simple Return / 10.90 %	Qualified Investor

2. Capital Markets Instruments the Completion of which has been Completed

Type	Amount Issued		Date of Issue	Date of Redemption	Return Rate (%)	Type of Issue
	Amount	Currency				
Finansman Bonosu (TRFHLGY31810)	100,000,000	TRY	06.10.2017	30.03.2018	Annual Simple / 14.10 % Annual Compound / 14.62 %	Qualified Investor
Finansman Bonosu (TRFHLGY91814)	80,000,000	TRY	30.03.2018	19.09.2018	Annual Simple / 14.85 % Annual Compound / 15.43 %	Qualified Investor
Finansman Bonosu (TRFHLGY91813)	50,000,000	TRY	19.09.2018	21.12.2018	Annual Simple / 28.50 % Annual Compound / 31.67 %	Qualified Investor
Kira Sertifikası (Yönetim Sözleşmesine Dayalı) (TRDHVKA31816)	100,000,000	TRY	19.12.2017	16.03.2018	Period Return / 3.1582 % Annual Simple Return / 13.25 %	Qualified Investor
Kira Sertifikası (Yönetim Sözleşmesine Dayalı) (TRDHVKA61821)	100,000,000	TRY	16.03.2018	20.06.2018	Period Return / 3.5244 % Annual Simple Return / 13.40 %	Qualified Investor
Lease Certificate (Based on Management Contract) (TRDHVKA91810)	125,000,000	TRY	20.06.2018	19.09.2018	Period Return / 4.2384 % Annual Simple Return / 17.00 %	Qualified Investor
Lease Certificate (Based on Management Contract) (TRDHVCAA1831)	125,000,000	TRY	19.09.2018	19.12.2018	Period Return / 6.7315 % Annual Simple Return / 27.00 %	Qualified Investor
Lease Certificate (Based on Management Contract) (TRDHVKA11925)	75,000,000	TRY	12.10.2018	22.01.2019	Period Return / 7.6850 % Annual Simple Return / 27.50 %	Qualified Investor
Lease Certificate (Based on Management Contract) (TRDHVKA41922)	170,000,000	TRY	19.12.2018	16.04.2019	Period Return / 7.6295 % Annual Simple Return / 23.60 %	Qualified Investor
Lease Certificate (Based on Management Contract) (TRDHVKA51921)	80,000,000	TRY	22.01.2019	21.05.2019	Period Return / 7.3356 % Annual Simple Return / 22.50 %	Qualified Investor
Lease Certificate (Based on Management Contract) (TRDHVKA81928)	180,000,000	TRY	16.04.2019	20.08.2019	Period Return / 7.8534 % Annual Simple Return / 22.75 %	Qualified Investor
Lease Certificate (Based on Management Contract) (TRDHVKA91927)	75,000,000	TRY	21.05.2019	17.09.2019	Period Return / 7.6616 % Annual Simple Return / 23.50 %	Qualified Investor
Lease Certificate (Based on Management Contract) (TRDHVCAA1914)	205,000,000	TRY	20.08.2019	17.12.2019	Period Return / 5.7054 % Annual Simple Return / 17.50 %	Qualified Investor
Lease Certificate (Based on Management Contract) (TRDHVKA12022)	75,000,000	TRY	17.09.2019	07.01.2020	Period Return / 4.5720 % Annual Simple Return / 14.90 %	Qualified Investor

3. 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
Lease Certificate (Based on Management Contract)	2,000,000,000 TRY 14.11.2019 / 65-1495	260,000,000	TRY
Commercial Paper	2,000,000,000 TRY 19.12.2019/75-1644	-	TRY

As of 23 July 2019, as a result of the credit rating process carried out by Saha Kurumsal Yönetim ve Kredi Rating Hizmetleri A.Ş., ranked our Company in an “investable” category; and determined our Long-Term National Rating as (TR) AA-, and our Short-Term National Grade (TR) A1 + and both rating outlooks as “stable”.

### 3 - ACTIVITIES REGARDING GENERAL ASSEMBLY, CAPITAL INCREASE AND ARTICLES OF ASSOCIATION

With the decision of our Board of Directors dated 11.03.2019, the Ordinary General Assembly Meeting of our Company for 2018 activity year has been held on April 9, 2019 at 14:30, Thursday, with 79.76% attendance rate, at the headquarters of the Company, under the supervision of the Ministry Representative commissioned with the letter 43323580 of Istanbul Regional Directorate of Customs and Trade dated 08.04.2019.

The related General Assembly resolutions were registered on 30.04.2019 and published in the Trade Registry Gazette dated and numbered 07.05.2019-9823.

In the meeting;

-The decision of the Board of Directors regarding the dividend payments for the year 2018 was approved, and the cash dividend amount of 5,000,000 TRY was distributed to our shareholders on 17.04.2019.

- In accordance with the resolution of the Board of Directors dated on 09.04.2019, 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 22.05.2019 for distribution of bonus shares with the value of

70,000,000 TRY. 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 13.06.2019 and numbered 34-774 and bonus capital increase transactions have started as of 20.06.2019.

- The Company's Articles of Association containing the new capital information was registered on 21.06.2019 and published in the Turkish Trade Registry Gazette dated 27.06.2019 / numbered 9857.

In accordance with the decision of the Board of Directors of our Company dated 04.12.2019, the extension of the registered capital period in article 8 titled "Capital and Shares" and the registered capital limit of our Company within the framework of the needs that may arise, the applications have been made to the Capital Markets Board and the Ministry of Trade for the approval of the amendments regarding the increase from 1,500,000,000 TRY to 2,500,000,000 TRY. Our application has been approved with the condition that it would be decreed by our Company's General Assembly within 6 months, with the statements sent to our Company, by CMB dated 24.12.2019 and by Ministry dated 06.01.2020.

### 4 - CORPORATE GOVERNANCE ACTIVITIES

During the period;

We have renewed our contract with SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA) for credit and corporate governance ratings. Contracts signed with SAHA on 16.01.2019 are for 2 (two) years, and they will remain in effect until 16.01.2021.

Ali Cebeci who was assigned to Board Membership with the decision dated 21.02.2019 of our Company, Mehmet Emin Özcan who was assigned to Independent Board Membership with the decision dated 10.06.2019, Dursun Ali Kılıçlı who was assigned to Board Membership with the decision dated 20.06.2019 and Mevlüt Uysal who was assigned as Independent Member with the decision dated 28.06.2019 to be valid for a maximum 1 year with the permission date dated 28.06.2019 and numbered 12233903-340-13E-8749 which was sent under the scope of Clause 5 of Article 6 of Corporate Governance Communiqué Serial II numbered 17.1 of Capital Markets Board were charged as Remuneration Committee Member; Audit Committee, Committee for Early Detection of Risk,

Corporate Board Committee and Remuneration Chairman; Board Committee Member; Audit Committee Member and Committee for Early Detection of Risk member, respectively.

The working principles of our Company's Audit Committee, Corporate Management Committee, Committee for Early Detection of Risk and Remuneration Committee have been updated with the decision dated 19.09.2019, it has been submitted for the information of our shareholders and public in the tab of "Corporate Management" of the page of "Investment Relations" in <https://www.kap.org.tr/tr/Bildirim/788372> link and our Company's website.

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 "92.74" in 2018, was confirmed as "93.07". Our Company's notes taken from 4 main sections: It is as Shareholders with 94.90, Public Disclosure and Transparency with 95.17, Stakeholders 94.36, Board of Directors 89.72.

### 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;

- 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

agency.

Renting out our properties is an important part of our company's activities, and the rental income we have obtained within 2019 from relevant parties was 71,657,271 TRY. As of December 31, 2019, we have holding 74.291.400 TRY of cash or cash equivalents in our accounts at Türkiye Halk Bankası A.Ş. Our company has a financial debt valued at 32,201,798 TRY 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 2019 are provided in the footnote no. 4 titled "Statements on Related Parties" of our independent audit report for the period of 01.01.2019 – 31.12.2019.

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 of the transactions performed in 2019 between our Company and its main partner Türkiye Halk Bankası A.Ş. or the group companies are all of the ordinary transactions as required by our business operations, and they have been performed at arm's length. In this sense, a counter action was provided suitable for performance of each transaction, at the time when the relevant transaction is performed. Therefore, it is concluded that there is not any action that may cause loss to the Company, has been taken or avoided being taken."

## AFFILIATION REPORT OF BOARD OF DIRECTORS FOR THE PERIOD OF 01.01.2019-31.12.2019

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, 2019
<b>Banks</b>	
Halk Bank A.Ş. (Demand deposit)	715,995
Halk Bank A.Ş. (Time deposit)	73,575,405
<b>Total</b>	<b>74,291,400</b>
<b>Other Receivables from Related Parties</b>	
Halk Bank A.Ş.	627
Halk Finansal Kiralama A.Ş.	2,487
<b>Total</b>	<b>3,114</b>
<b>Prepaid expenses</b>	
Halk Sigorta A.Ş.	414,748
Halk Hayat ve Emeklilik A.Ş.	7,246
Capitalization of expenses on investment properties	
Halk Finansal Kiralama A.Ş.	4,157,949
Halk Varlık Kiralama A.Ş.	60,671,562
<b>Total</b>	<b>65,251,505</b>
<b>Financial borrowings</b>	
Halk Bank A.Ş. – Short term	31,143,131
Halk Bank A.Ş. – Long term	1,058,667
Halk Finansal Kiralama A.Ş. – Short term	15,332,102
Halk Finansal Kiralama A.Ş. – Long term	6,217,580
Halk Varlık Yönetim A.Ş.	367,171,740
<b>Total</b>	<b>420,923,220</b>
<b>Trade payables to related parties</b>	
Halk Sigorta A.Ş.	45,482
Halk Bank A.Ş.	10,322
<b>Total</b>	<b>55,804</b>

##### Revenues from Related Parties

	December 31, 2019
<b>Rent income</b>	
Halk Bank A.Ş.	43,610,622
Halk Hayat ve Emeklilik A.Ş.	76,861
<b>Total</b>	<b>43,687,483</b>
<b>Interest income</b>	
Halk Bank A.Ş. Time Deposit Interest Rate	6,602,940
<b>Total</b>	<b>6,602,940</b>

39% of the Company's revenues in the interim period ended on December 31, 2019 consists of income from related parties.

##### Related Party Expenses

	December 31, 2019
<b>Expenses</b>	
<b>Insurance expenses paid to related parties</b>	
Halk Sigorta A.Ş.	(1,348,288)
Halk Hayat ve Emeklilik A.Ş.	(28,604)
<b>Interest and premium expenses paid to related parties</b>	
Halk Bank A.Ş.	(6,180,291)
<b>Operating expenses paid to related parties</b>	
Halk Bank A.Ş.	(630,002)
<b>Total</b>	<b>(8,187,185)</b>



## 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 during the year. These leases have been made in accordance with the Capital Market Board's Communiqué on Principles Regarding Real Estate Investment Partnership Serial III No.48.1. The total rental income during the year is 43,610,622 TRY. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

### 1.1.2 Expenses

#### a) Bank Interest Expenses

In 2019, an interest expense of 6,180,291 TRY was spent on the loan that our company took out from Türkiye Halk Bankası A.Ş. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

### 1.1.3 Financial Debts

As of 31.12.2019, our Company has a loan at the amount of 32,201,798 TRY which has been used from Türkiye Halk Bankası A.Ş. 27,746,472 TRY of these loans consist of short term revolving credits used by the company for the İzmir Evora project in 2011, and the year-end balance of the loan taken out in 4.455.326 and received in monthly installments. As of 31.12.2019, 3,396,659

#### b) Interest income

On the transactions conducted with Türkiye Halk Bankası A.Ş., 6,602,940 TRY, interest income was received on the time deposits. Of the amount, 4,797,866 TRY was classified in the real estate for the purpose of investment. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

#### b) Bank Transactions Expenses

Due to the transactions made by our Company with Türkiye Halk Bankası A.Ş., operating expense amounting to 630,002 TRY as been incurred. Of the amount, 407,019 TRY comprises of distribution share and the remaining 222,983 TY comprises of letter of guarantee and other banking commission expenditures. In these transactions, no financial interest was provided to the dominant company or its subsidiaries and our Company did not meet any loss.

TRY of the remaining amount was classified as short-term, 1,058,667 TRY of which is classified as long-term. In 2019, there we have incurred financing expenses of 6,180,291 TRY, 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. The real estate property at the address of Cumhuriyet Bulvarı No:45 Konak / İzmir was rented to Halk Hayat ve Emeklilik A.Ş and the rental income at the amount of 76,861 TRY has been obtained per year regularly in 2019. The rental has been accrued in accordance with the REIT Communiqués by CMB and the rents were increased by using PPI+CPI/2 rate. 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 1,763,036 insurance expense has occurred in 2019 of which 414,748 TRY has been capitalized as prepaid expense and 1,348,288 TRY 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 2019, 35,850 TRY expense has been occurred of which 7,246 TRY has been capitalized as prepaid expenses and 28,604 TRY 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 Varlık Kiralama A.Ş.

Due to the transactions made by our Company with Halk Varlık Kiralama A.Ş., capitalized expense amounting to 60,671,562 TRY has been incurred. 57,512,948 TRY of these transactions were financing expenses, and 3,158,614 TRY 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 11,730,234 TRY has been incurred. Of this transaction, 4,157,949 TRY comprises of financing expenditures. 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.

A financial leasing agreement has been signed with Halk Finansal Kiralama A.Ş. to meet the financing needs of our company, and as of the end of 2019, we have leased 21,549,682 TRY. Regarding the transactions, the transaction of 10,543,188 TY was carried out in 2019, the entire was activated in the real estate for the purpose of investment. 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.

A financial leasing agreement has been signed with Halk Finansal Kiralama A.Ş. to meet the financing needs of our company, and as of the end of 2019, we have leased 21,549,682 TRY. Regarding the transactions, the transaction of 4,426,436 TY was carried out in 2019, 4,157,949 TRY was activated in the real estate for the purpose of investment. 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 Company transactions including dominant company or an affiliated company, the legal transactions which were made in favor of a dominant or an affiliated company and all Company's measures which were taken or avoided to be taken in favor of a dominant or an affiliated company in 2019 were evaluated in the operating period between January 1 and December 31, 2019. Related to this operating period of 2019, we hereby declare that our Company did not meet such a loss through an action raised due to known circumstances.

DESCRIPTIONS OF THE ASSETS AND RIGHTS IN THE PORTFOLIO

Real Estate Statement

Real Estates	Buying Portfolio Date	Fair Value (TRY)
Lands & Projects		
Istanbul Salıpazarı Land	26.01.2018	8,200,000
Erzurum Palandöken Lands	05.09.2019	14,350,000
Erzurum Yakutiye Land	30.09.2019	9,850,000
IUFM “Halk Office Towers”	28.10.2010	<sup>1</sup> 1,383,250,000
İzmir Evora	25.08.2017	<sup>3</sup> 550,000,000
Bizimtepe Aydos	16.10.2014	<sup>2</sup> 67,316,824
Erzurum Şehristan Residences	07.04.2016	<sup>2</sup> 7,388,411
Eskişehir Panorama Plus	24.01.2012	<sup>2</sup> 3,755,000
Referans Bakırköy	09.09.2011	<sup>2</sup> 804,500
Projects Total		1,494,914,735
Buildings		
Park Dedeman Levent Hotel	28.10.2010	275,000,000
İstanbul, Halkbank Finance Tower	29.12.2011	<sup>1</sup> 313,200,000
Şekerpinar Banking Center	11.09.2012	<sup>1</sup> 138,500,000
Halk Office Şekerpinar	11.09.2012	<sup>1</sup> 94,920,000
İstanbul Salıpazarı Port Bosphorus Hotel	28.10.2010	<sup>1</sup> 85,000,000
İstanbul Karaköy Building	28.10.2010	40,000,000
İzmir, Konak Building 1	28.10.2010	33,900,000
İstanbul Beyoğlu Building	28.10.2010	33,350,000
İstanbul Bakırköy Building	28.10.2010	27,750,000
İstanbul Caddebostan Building	28.10.2010	<sup>1</sup> 27,100,000
İstanbul Etiler Building	28.10.2010	23,700,000
İstanbul Beşiktaş Building	28.10.2010	22,750,000
Ankara Kızılay Building	28.10.2010	<sup>1</sup> 22,400,000
İstanbul Şişli Building	28.10.2010	20,000,000
İzmir Konak Building 2	28.10.2010	18,250,000
Bursa Building	28.10.2010	17,250,000
İstanbul Fatih Building	28.10.2010	14,975,000
Kocaeli Building	28.10.2010	14,500,000
İstanbul Ataköy Building	28.10.2010	14,750,000
Ankara Başkent Building	28.10.2010	<sup>1</sup> 14,000,000
Ankara Bahçelievler Building 1	28.10.2010	11,550,000
İstanbul Nişantaşı Building	28.10.2010	11,500,000
Sakarya Adapazarı Building	28.10.2010	9,500,000
Ankara Bahçelievler Building 2	28.10.2010	8,250,000
Eskişehir B12 Flat	24.01.2012	685,000
Eskişehir B13 Flat	24.01.2012	710,000
Bizimtepe Aydos T 1-2-3 Nolu BB Nursery School	10.04.2019	2,358,000
Bizimtepe Aydos T 17-18-19-20-21-22 BB Market	16.04.2019	1,666,500
Bizimtepe Aydos T 13 Seller of Dried Fruits	10.06.2019	209,500
Bizimtepe Aydos T 16 Hairdresser	23.05.2019	276,000
Bizimtepe Aydos T 26 Real Estate Agency	19.09.2019	325,500
Bizimtepe Aydos T 25 Pharmacy	01.10.2019	323,000
Bizimtepe Aydos T 23-24 Real Estate Agency	24.10.2019	1,046,500
Bizimtepe Aydos T 39-40-41-42-43-44 Souvenir Shop	22.11.2019	605,000
Buildings Total		1,300,300,000
Total Portfolio		2,795,214,735

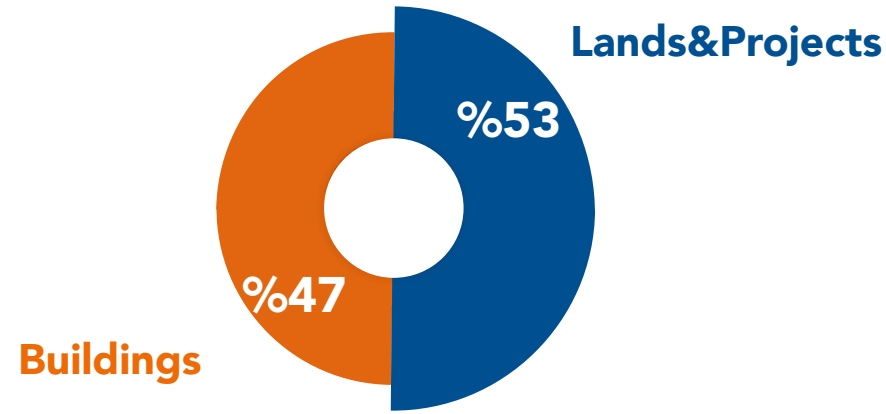
(They are the values given in the independent audit report for the period of 01.01.2019-31.12.2019.)

1- They are the fair values given in the independent audit report for the period of 01.01.2019-31.12.2019.

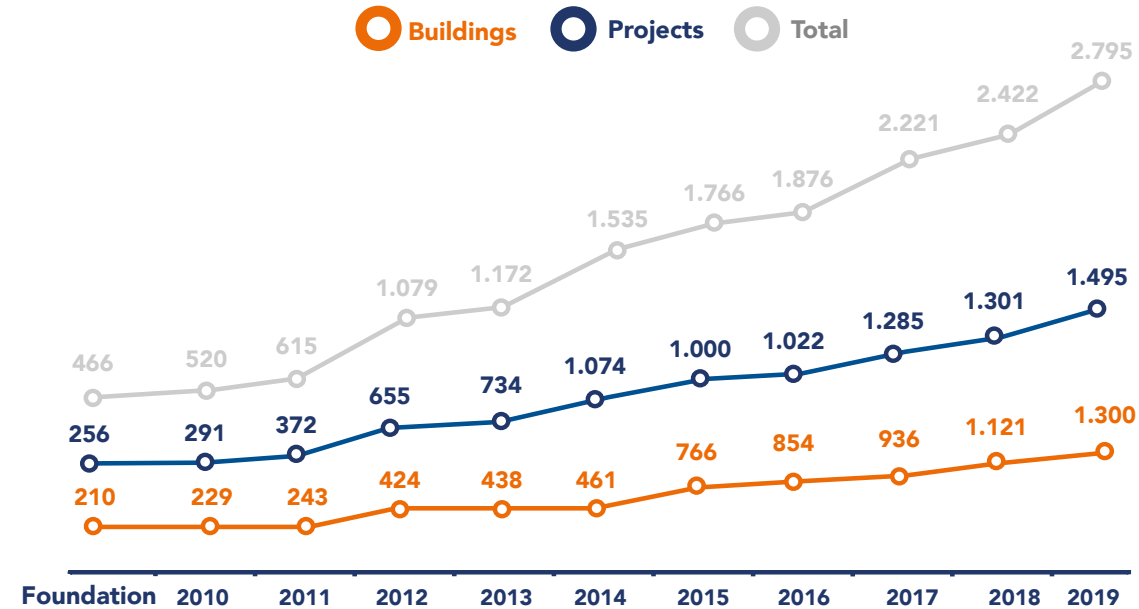
2- It s Halk GYO's share of the total appraisal values of unsold independent units in projects as of 31.12.2019.

3- It is our company's share of the sales value based on 1.7 billion TRY as 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 Purpose	January-December Rent Income (TRY)
Completing of Park Dedeman Levent Hotel	Dedeman Grup	Hotel	21,051,851
Ataşehir Halkbank Finance Tower	Halkbank	Head Office	16,785,000
Şekerpınar Banking Center	Halkbank	Banking Center	7,643,021
Salıpazarı Port Bosphorus Hotel	Sapaz Otelcilik	Hotel	5,932,952
Bakırköy Building	Halkbank	Bank Branch	1,842,051
Kızılay Building	Halkbank	Bank Branch	1,775,067
Konak Building 1	Halkbank	Bank Branch	1,758,321
Beşiktaş Building	Halkbank	Bank Branch	1,674,592
Beyoğlu Building	Halkbank	Bank Branch	1,436,800
Başkent Building	Halkbank Ceda Ltd.Şti.	Bank Branch Hotel	1,446,061
Etiler Building	Halkbank	Bank Branch	1,306,182
Şişli Building	Halkbank	Bank Branch	1,289,436
Bursa Building	Halkbank	Bank Branch	1,235,849
Konak Building 2	Halkbank Halk Emeklilik	Bank and Subsidiary Branch	1,190,256
Kocaeli Building	Halkbank	Bank Branch	1,172,214
Ataköy Building	Halkbank	Bank Branch	1,034,060
Bahçelievler Building 1	Halkbank	Bank Branch	932,748
Fatih Building	Halkbank	Bank Branch	837,296
Nişantaşı Building	Halkbank	Bank Branch	703,329
Bahçelievler Building 2*	İpekyol	-	387,000
Panorama Plus B12 Apartment	Real Person	Property	33,700
Panorama Plus B13 Apartment	Real Person	Property	33,544
Bizimtepe Aydos Commercial / IU No. 1-3**	Yakın Ufuklar A.Ş.	Nursery School	82,167
Bizimtepe Aydos Commercial / IU No. 17-22**	Mopaş	Market	58,450
Bizimtepe Aydos Commercial / IU No. 13**	Real Person	Hairdresser	6,300
Bizimtepe Aydos Commercial / IU No. 16**	Real Person	Seller of Dried Fruits	5,950
Bizimtepe Aydos Commercial / IU No. 25***	Real Person	Pharmacy	2,800
Bizimtepe Aydos Commercial / IU No. 23-24****	Real Person	Real Estate Agency	274
Adapazarı Building	-	In the Process of Demolition	-
Halk Office Şekerpınar	-	In Marketing Process	-
Karaköy Building	-	In Marketing Process	-
Caddebostan Building	-	Urban Transformation	-
<b>Total</b>			<b>71.657.271</b>

\* Rental fee is from 01.04.2019.

\*\* Rental fee is from 01.06.2019. The fee is 50% of the entire rental. (It is the share of Halk GYO.)

\*\*\* Rental fee is from 01.12.2019. The fee is 50% of the entire rental. (It is the share of Halk GYO.)

\*\*\*\* Rental fee is from 30.12.2019. The fee is 50% of the entire rental. (It is the share of Halk GYO.)



## Subsidiaries and Affiliates & Joint Activities

The Company does not have any associates or subsidiaries as of December 31, 2019.  
Information on the partnerships of the Company for the purposes of developing real estate projects is as follows:

Halk GYO - Vakıf GYO Ordinary Partnership	December 31, 2019	December 31, 2018
Current assets	76,266,214	99,181,512
Fixed Assets	9,892,027	22,871,423
Short-term liabilities	(3,922,897)	(8,844,324)
	January 1- December 31 2019	January 1- December 31 2018
Period profit	17,636,097	14,254,018
Halk GYO - Erkonut Ordinary Partnership	December 31, 2019	December 31, 2018
Current assets	9,212,839	40,093,573
Fixed Assets	--	15,095
Short-term liabilities	(680,156)	(5,721,325)
	January 1- December 31 2019	January 1- December 31 2018
Period profit	199,842	15,495,419
Halk GYO - Teknik Yapı Ordinary Partnership	December 31, 2019	December 31, 2018
Current assets	19,530,554	8,151,289
Fixed Assets	2,307,748	15,973,326
Short-term liabilities	(44,683,306)	(31,392,312)
Long-term liabilities	(10,254,938)	(2,987,240)
	January 1- December 31 2019	January 1- December 31 2018
Period Loss	(12,581,338)	(9,053,144)

## Money and Capital Markets Instruments

	December 31, 2019	December 31, 2018
Cash in bank	74,286,168	28,814,246
- Drawing deposits (*)	724,840	691,954
- Short-term deposits for less than three months	73,561,328	28,122,292
Expected loss reserve (-)	(891)	(346)
Other liquid assets (**)	-	11,132
Total cash as cash equivalents included in the financial position statement	74,285,277	28,825,032
Minus: Total cash and cash equivalents interest discounts	(84,178)	(223,504)
Total cash and cash equivalents included in the cash flow statement	74,201,099	28,601,528

(\*) There is a blocked amount for employee salary payments in the demand deposit amount on December 31, 2019 and December 31, 2018.

(\*\*) As of December 31, 2018, the Company's other cash and cash equivalents are comprised of credit card receivables from residence sales of Bizimtepe Aydos Project.

As of December 31, 2019, the details of term deposits in banks are as follows:

December 31, 2019	Amount	Interest rate	Term
Time deposit			
TRY	73,343,707	10.75%	5.02.2020
TRY	128,113	10.24%	2.01.2020
TRY	7,501	9.50%	2.01.2020
TRY	82,007	10.49%	2.01.2020
	73,561,328		



# COMPLETED PROJECTS



## PARK DEDEMAN LEVENT HOTEL



Province	İstanbul
District	Şişli / Levent
Last Appraisal Value	275 Million TRY

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 (The value of unsold independent units owned by Halk GYO as of 31.12.2019.)	804.5 thousand TRY

“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 İstanbul. Title deeds transfers and session have started as of year 2014.

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





## ESKİŞEHİR “PANORAMA PLUS”



Province	Eskişehir
District	Odunpazarı
Last Appraisal Value (It is the total value of the 6 unsold independent units as of 31.12.2019)	3.8 million TRY

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

The project of which construction and sales process started in November 2013, was completed in 2015. As of 31.12.2019, there are 6 independent units unsold in our Company's portfolio for the project with ongoing sales.

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 ŞEKERPİNAR PROJECT



Province	Kocaeli
District	Şekerpinar
Last Appraisal Value	233.4 Million TRY

“Şekerpinar Project” built in Kocaeli Şekerpinar, 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 Block A and B.

“Şekerpinar Banking Center”, which is Block A of the project with an area of 9 thousand sqm, was rented 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 Şekerpinar” 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 272 independent units of the project as of 31.12.2019).	73.6 million TRY
Contractor	Haldiz İnşaat A.Ş.
Construction Start Date	November 2015
Project End Date	May 2018
Number of Total Independent Units	1037 Residences + 47 Commercial Units
Number of Units Sold (As of 31.12.2019)	812 Residences

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 residential demand in the region as it is close to Istanbul International Financial Center.

This project with the motto “Happiness begins at home”, will have a land of 95 thousand sqm, 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 residences and 47 commercial units, with hobby gardens, bicycle and running tracks, arbors and ponds, grass amphitheaters, as well as commercial units, private kindergarten and market.

The project, of which the construction started in November 2015 was completed in 2018 and its Occupancy Permit (Housing) was started in February 2019.

In our project of which the delivery process of all sold independent sections were completed, the sales of the remaining independent sections are continuing.





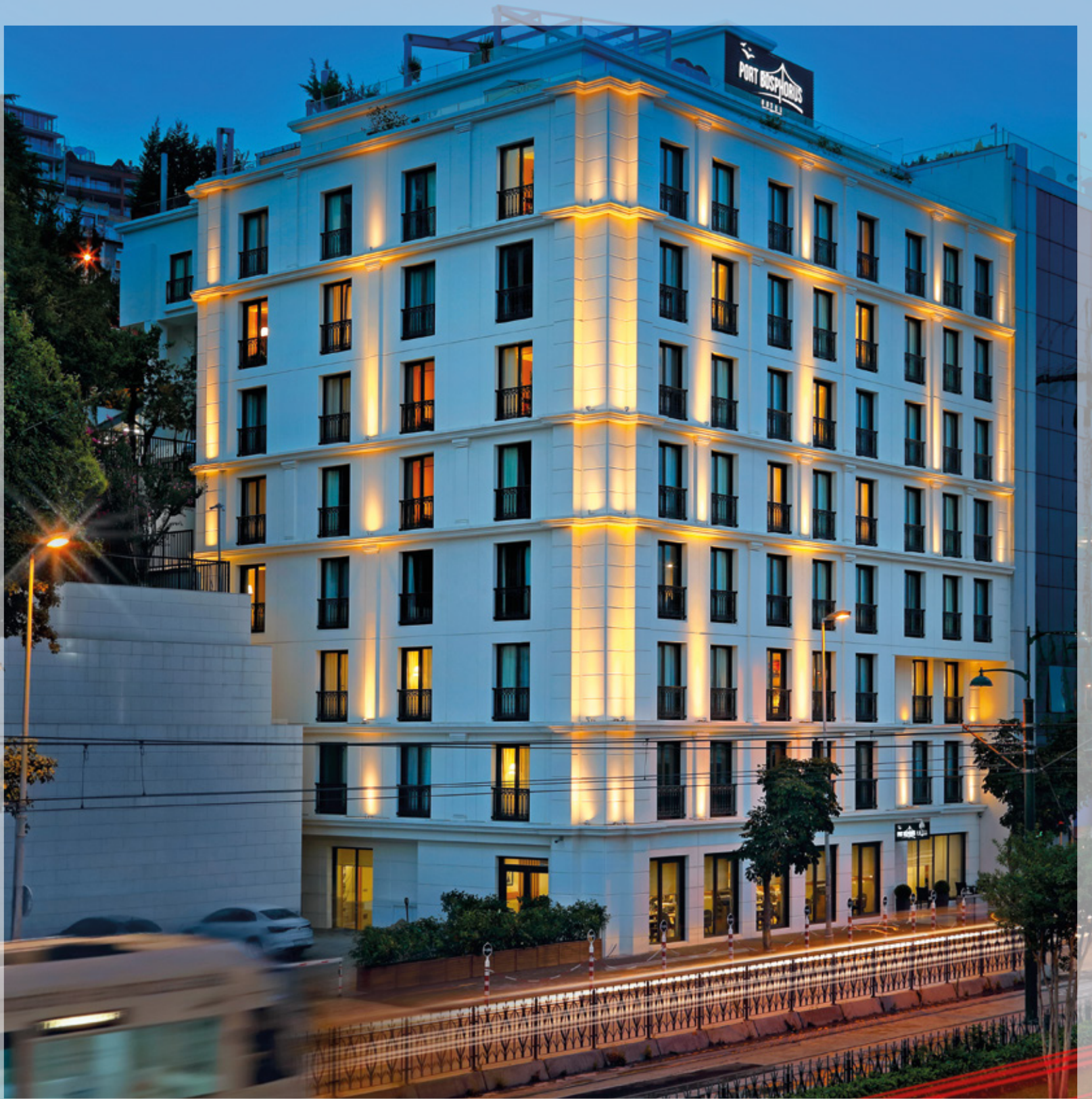
## ERZURUM "ŞEHRISTAN RESIDENCES"

Province	Erzurum
District	Yakutiye
Appraisal Value of the Entire Project (Halk GYO's 50% share of the appraisal value of the unsold 32 independent units of the project as of 31.12.2019.)	7.4 million TRY
Contractor	Er Konut İnşaat A.Ş.
Construction Start Date	May 2016
Project End Date	May 2018
Number of Total Independent Units	632 Residences + 13 Commercial Units
Number of Units Sold (As of 31.12.2019)	605 Residences + 8 Commercial Units

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 residences 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 - 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 31.12.2019.)	85 million TRY
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 GYO OFFICE TOWERS” PROJECT

Province	İstanbul
District	Ümraniye
Contractor	YDA İnşaat A.Ş.
Construction Start Date	December 2016
Planned Finish Date	December 2021
Construction Completion Rate	%33
Construction Area	425.000 sqm
Project Value (Cost value of the project as of 31.12.2019.)	1.383 billion TRY

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 TRY

“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 TRY 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.

In the project, following the completion of preliminary project and license project works, the building licenses for K, L, B3 and C blocks were obtained.

INFORMATION REGARDING PORTFOLIO LIMITATIONS

	Financial statement primary account items	Concerned Regulation	December 31, 2019 (TRY)	December 31, 2018(TRY)
A	Money And Capital Market Instruments	Serial: Communiqué no, Art.24/(b)	74,285,277	28,825,032
B	Real Estates, Real Estate-Based Projects, Real Estate-Based Rights	Serial: Communiqué no, Art.24/(a)	2,783,856,465	2,397,707,741
C	Subsidiaries	Serial: Communiqué no, Art.24/(b)	--	--
	Receivables from the associated parties (non-commercial)	Serial: Communiqué no, Art.23/(f)	--	--
	Other assets		181,067,390	206,260,620
D	Total assets (Assets in total)	Serial: Communiqué no, Art.3/(k)	3,039,209,130	2,632,793,393
E	Financial liabilities	Serial: Communiqué no, Art.31	410,240,038	290,545,287
F	Other financial liabilities	Serial: Communiqué no, Art.31	--	--
G	Financial leasing payables	Serial: Communiqué no, Art.31	23,167,097	24,078,915
H	Payables to the associated parties (non-commercial)	Serial: Communiqué no, Art.23/(f)	--	--
i	Equities	Serial: Communiqué no, Art.31	2,578,219,682	2,261,618,820
	Other equities		27,582,313	56,550,371
D	Total equities	Serial: Communiqué no, Art.3/(k)	3,039,209,130	2,632,793,393
	Other financial information	Concerned Regulation	December 31, 2019 (TRY)	December 31, 2018(TRY)
A1	Part held for 3-year real estate payments of money and capital markets instruments	Serial: Communiqué no, Art.24/(b)	--	--
A2	Time/Drawing TRY/Currency	Serial: Communiqué no, Art.24/(b)	74,289,168	28,814,246
A3	Foreign capital markets instruments	Serial: Communiqué no, Art.24/(d)	--	--
B1	Foreign real estates, real estate-based projects, real estate-based rights	Serial: Communiqué no, Art.24/(d)	--	--
B2	Idle plots/lands	Serial: Communiqué no, Art.24/(c)	--	--
C1	Foreign subsidiaries	Serial: Communiqué no, Art.24/(d)	--	--
C2	Subsidiary to the operating company	Serial: Communiqué no, Art.28	--	--
J	Non-cash loans	Serial: Communiqué no, Art.31	216,456,082	219,069,644
K	Mortgage costs of mortgage plots of which the property related to the project is not owned by the partnership	Serial: Communiqué no, Art.22/(e)	--	--
L	Investments in total in a single company of money and capital markets instruments	Communiqué Serial no III-48.1 Art.22/(I)	--	--

	Portfolio limitations	Concerned Regulation	Calculation	Minimum/ Maximum Rate	December 31, 2019 (TRY)	December 31, 2018 (TRY)
1	Mortgage costs of mortgage plots of which the property related to the project is not owned by the partnership	Serial: Communiqué no, Art.22(e)	K/D	Maximum %10	--	--
2	Real Estates, Real Estate-Based Projects, Real Estate-Based Rights	Serial: Communiqué no, Art.24/(a),(b)	(B+A1)/D	Miniimum %51	91.06%	91.07%
3	Subsidiaries with Money and Capital Markets Instruments	Serial: Communiqué no, Art.24(b)	(A+C-A1)/D	Maximum %49	2.44%	1.09%
4	Foreign Real Estates, Real Estate-Based Projects, Real Estate-Based Rights, Subsidiaries, Capital Markets Instruments	Serial: Communiqué no, Art.24(d)	(A3+B1+C1)/D	Maximum %49	--	--
5	Idle Plots/Lands	Serial: Communiqué no, Art.24(c)	B2/D	Maximum %20	--	--
6	Subsidiary to the Operating Company	Serial: Communiqué no, Art.28	C2/D	Maximum %10	--	--
7	BorrowingLimit	Serial: Communiqué no, Art.31	(E+F+G+H+J)/i	Maximum %500	25.21%	23.6%
8	Time/Drawing TRY/Currency	Serial: Communiqué no,	(A2-A1)/D	Maximum %10	2.44%	1.09%
9	Investments in total in a single company of money and capital markets instruments	Serial: III-48.1 Art. 22(I)	L/D	Maximum %10	--	--

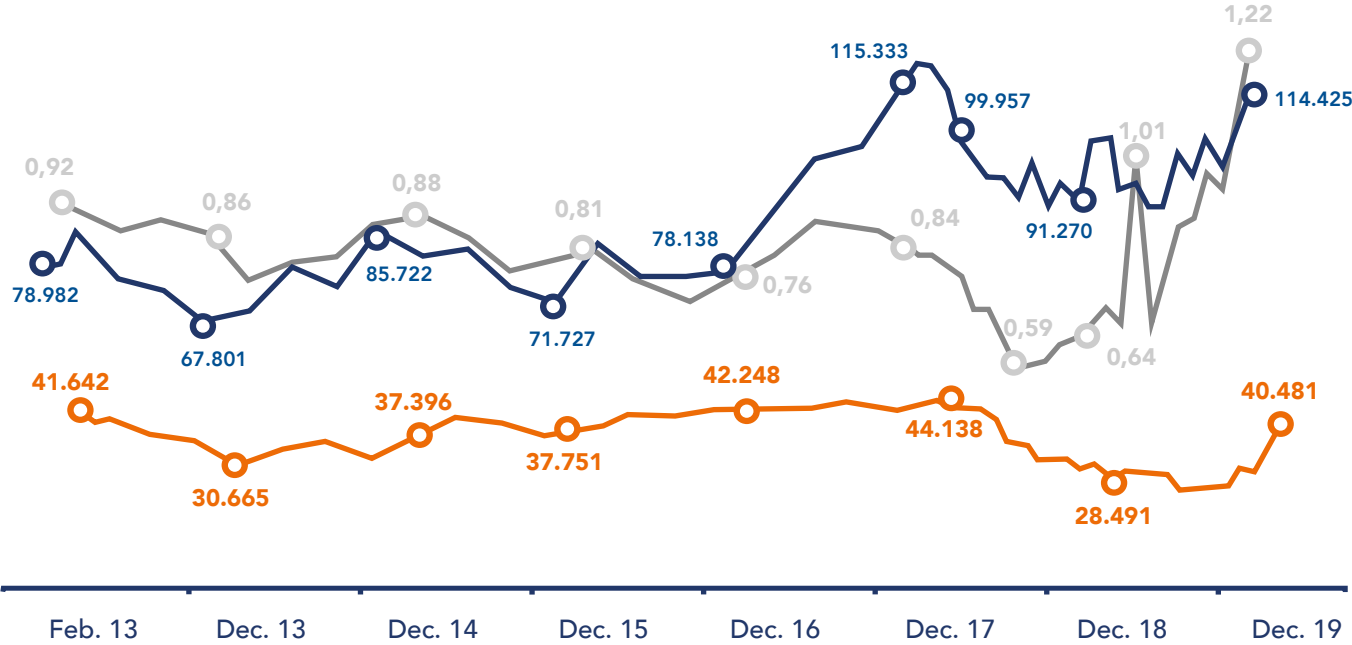
# SHARE PERFORMANCE

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

As of December, 2019	Piece	Rate %	Market Value (TRY)
Closing Price			1.22
Total Shares	928,000,000		1,132,160,000
Total Publicly Held Shares	259,839,817	28.00	317,004,577
Other Shares in Actual Circulation	165,336,132	17.82	201,710,082
HALKBANK's shares from BIST	68,341,356	7.36	83,376,455
HALK GYO's shares from BIST	26,162,328	2.82	31,918,041

In December 2019, the BIST 100 index increased by 25.37% compared to the previous year, while the GYO index increased by 42.09% in one-year performance. The stocks of our company experienced a value loss of 90.63%, while it performed its closing at 1.22 TRY in the end of December. As of the end of the period, our company is the 7th biggest in the sector in terms of market value, with 1.132 million TRY.





## 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. The risk management and internal control activities in our Company "are being conducted by "Internal Audit Risk Management and Compliance Directorate. 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 Committee for Early Detection of Risk and to the senior management. 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 Directorate responsible for internal audit activities conducts

under the framework of "Directive on Internal Audit Risk Management and Compliance Directorate of Halk Gayrimenkul Yatırım Ortaklığı A.Ş". regulating the operation, internal control activities, duties, powers and responsibilities of the personnel in charge and working rules and principles.

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 of the Company's operations. 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 Partnership as issued by Capital Market Board.

## SERVICE PROVIDING COMPANIES IN 2019

### Independent Audit Company

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

### Rating Company

Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş.

### Appraisal Companies

Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.  
Adım Gayrimenkul Değerleme A.Ş.

### Advertising Agency

M&G Reklam Hizmetleri

### PR Agency

Grup7 İletişim Danışmanlığı A.Ş.

There is no interest conflict and controversy of our Company with these companies in the period of 01.01.2019 and 31.12.2019. We strictly follow to not have any interest conflict with both our contracts and company internal business regulations.



## 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 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.

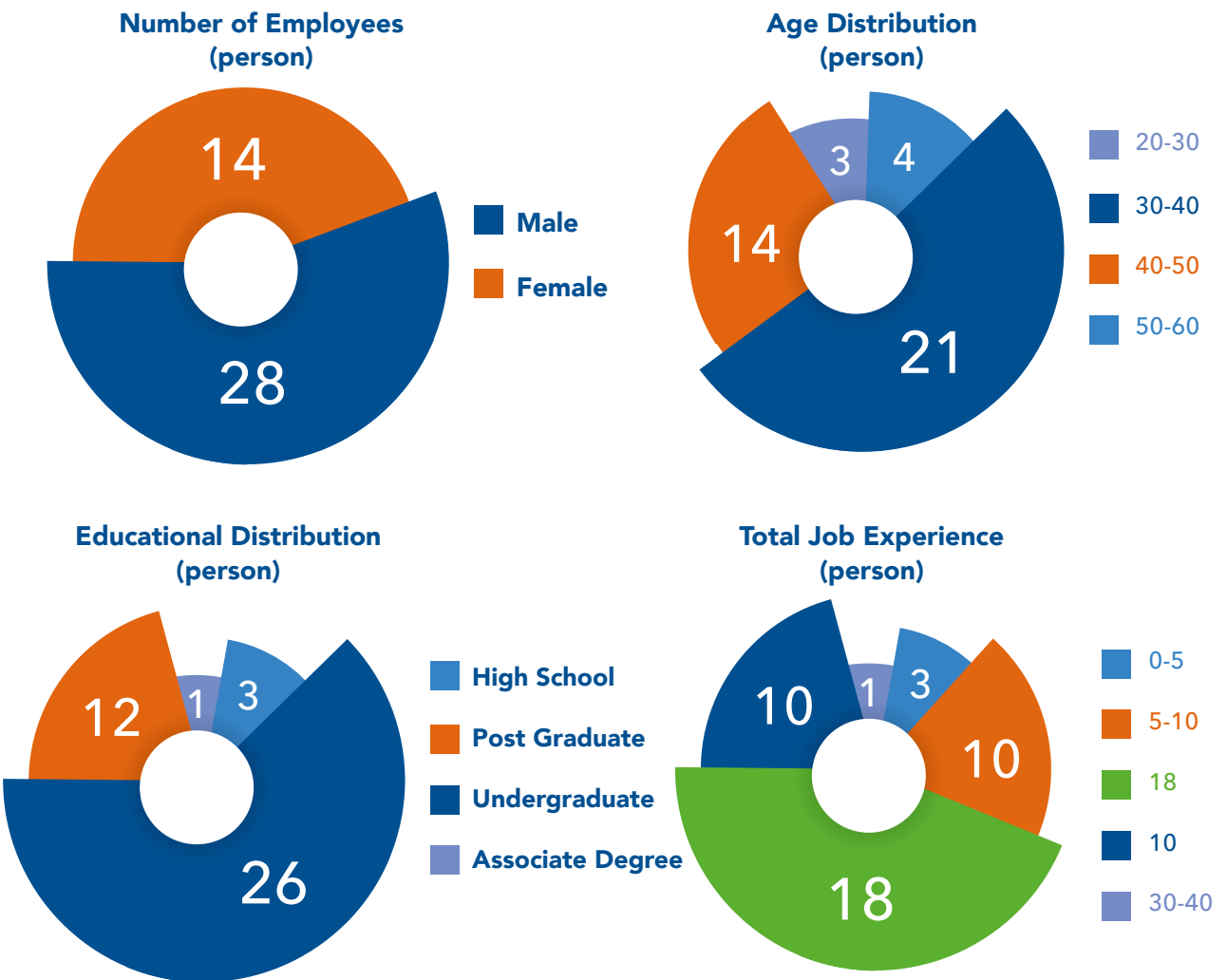
All rights and personal dignity of each employee are legally protected under the Code of Ethics, and all grounds are established for them to work in a safe and healthy environment. The relevant social rights are regularly and periodically provided for our personnel in accordance with the legislation. 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 Vice 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 42 as of 31 December 2019. (December 31, 2018: 38)

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



## 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. The priority of Halk GYO is to provide all Company employees to attend training under the equality in opportunity. In 2019, they participated in different trainings for updating their professional knowledge and improving their competencies related to Foreign Language, Financial Management, Tax, Accounting and Real Estate Technical topics.

## 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 from doing the job,
- Not being deprived of public rights,
- Not to be under any compulsory service commitment against any institution or organization,
- Not to be convicted or to be prosecuted for an infamous crime,

## Candidate Recruitment

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

## Career Planning

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

## Donations and Contributions

During the period, the payment has been made by Teknik Yapı - Halk GYO Ordinary Partnership (50%/50%) for the Osman Öksüz park renewal works within the scope of donation and aid and the payment amount accrued to our Company was 625,000 TRY.

## 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 between 01.01.2019 and 31.12.2019, there were no cases brought against the company that could affect the financial situation or activities of the company. In the period between 01.01.2019 and 31.12.2019, there were no cases brought against Board Members of employees for practices violating relevant legislation, and there were not legal or administrative sanctions.

# IMPORTANT CHANGES FOLLOWING THE ACCOUNTING PERIOD

Regarding that the extension of our Company's registered capital limit period and increase of registered capital limit from 1,500,000,000 TRY to 2,500,000,000 TRY, as a result of the application of approval process of revising article 8 title “Capitals and Shares” of the articles of the incorporation; the amendment in the concerned article has been notified to our Company that it has been seen appropriate on the condition that it was approved by our Company's General Committee with the statement dated 06.01.2020 sent by the Ministry For 2020, it has been 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, it has been decided to purchase appraisal services from “Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş.” or “Adım Gayrimenkul Değerleme A.Ş”.

Our Company's Board Member and General Manager Dr. Feyzullah YETGİN resigned on 11.02.2020. It has been decided by our Board of Directors to assign our Company's Vice General Manager to our Company's Board Membership which was vacated with the resignation of Yetgin in order to be submitted to the approval of first General Assembly and to conduct the duty of General Manager by proxy in order to carry out the powers and duties of General Manager.



# ANNEX 1: YEAR-END EVALUATION REPORT SUMMARIES OF 2019 REGARDING THE ASSETS

LANDS & PROJECTS

İSTANBUL SALIPAZARI LANDS

Report Date	16.12.2019
Report Number	Confidential 2019-1083
Appraisal Date	13.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	The real estate qualified as land in İstanbul Province, Beyoğlu District, Kılıçalı Quarter, plot 57, no 15
Stated Value (Precedent)	(Excluding VAT) 8,200,000 TRY

ERZURUM PALANDÖKEN LANDS (PLOT 12476)

Report Date	24.12.2019
Report Number	Confidential 2019-1095
Appraisal Date	19.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Real property with the qualification located in Erzurum Province, Palandöken District, Kazım Yurdalan Quarter, Block 12476, Plot 5-6-7-8-9
Stated Value (Precedent)	(Excluding VAT) 6,750,000 TRY

ERZURUM PALANDÖKEN LANDS (PLOT NO 12580 and 12581)

Report Date	24.12.2019
Report Number	Confidential 2019-1094
Appraisal Date	19.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	The immovable property qualified as land in Erzurum Province, Palandöken District, Solakzade Quarter, Block 12581, Plot 1 and Block 12580, Block 1
Stated Value (Precedent)	(Excluding VAT) 7,600,000 TRY

ERZURUM YAKUTİYE LAND

Report Date	24.12.2019
Report Number	Confidential 2019-1096
Appraisal Date	19.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	The immovable property qualified as land in Erzurum Province, Yakutiye District, Hasan Basri Quarter, Block 12406, Plot 5
Stated Value (Precedent)	(Excluding VAT) 9,850,000 TRY

ISTANBUL INTERNATIONAL FINANCIAL CENTER PROJECT “HALK TOWERS”

Report Date	27.12.2019
Report Number	Confidential 2019-1103
Appraisal Date	22.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	16,337.10 and 12,394.57 sqm of lands and project located in İstanbul Province, Ümraniye District, Küçükbakkalköy Quarter, block 3328, plot 4 and block 3328, plot 11.
Stated Value (Cost)	(Excluding VAT) 1,383,250,000 TRY

ERZURUM ŞEHRİSTAN RESIDENTIAL PROJECT

Report Date	31.12.2019
Report Number	Confidential 2019-1104
Appraisal Date	27.12.2019
Date Of The Base Contract	01.02.2019
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.
Stated Value (Precedent) (For 27 Residences And 5 Commercial Units)	(Excluding VAT) 43,960,000 TRY
Entire Project Appraisal Value- HALK GYO Share (50%)	(Excluding VAT) 21,980,000 TRY



## REAL ESTATE WITH RENTAL INCOME

### İSTANBUL “BİZİMTEPE AYDOS” RESIDENTIAL PROJECT

Report Date	31.12.2019
Report Number	Confidential 2019-1102
Appraisal Date	26.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Residential project located on a plot of land of 95,221.84 sqm located in İstanbul Province, Sancaktepe District on block 8085 and plot 36.
Stated Value (Precedent) (For 225 Residences And 47 Commercial Units)	(Excluding VAT) 196,575,000 TRY
Entire Project Appraisal Value-HALK GYO Share (50%)	(Excluding VAT) 98,287,500 TRY

### REFERANS BAKIRKÖY RESIDENTIAL PROJECT

Report Date	27.12.2019
Report Number	Confidential 2019-1085
Appraisal Date	22.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Residential + commercial project located in İstanbul Province, Bakırköy District, Osmaniye Quarter, on block 1225, plot 1
Stated Value (Precedent) (For 2 Residences)	(Excluding VAT) 1,250,000 TRY

### ESKİŞEHİR “PANORAMA PLUS” RESIDENTIAL PROJECT

Report Date	31.12.2019
Report Number	Confidential 2019-1115
Appraisal Date	26.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Residential project located on the land in Eskişehir Province, Odunpazarı District.
Stated Value (Precedent) (For 7 Residences)	(Excluding VAT) 8,255,000 TRY

### İSTANBUL “PARK DEDEMAN LEVENT HOTEL”

Report Date	27.12.2019
Report Number	Confidential 2019-1100
Appraisal Date	22.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	The real property with the qualification “18-story Reinforced Concrete Hotel and its land” registered in İstanbul province Şişli District, Mecidiyeköy Quarter, block 1957, plot 6.
Stated Value (Precedent)	(Excluding VAT) 275,000,000 TRY

### İSTANBUL HALKBANK FINANCE TOWER

Report Date	20.12.2019
Report Number	Confidential 2019-1101
Appraisal Date	15.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	13 stores and 92 real estate properties qualified as office located in Block B of main real estate with registered construction servitude qualified as “Reinforced Concrete and Land” in İstanbul Province, Ataşehir District, Küçükbakkalköy Quarter, block 3332 and plot 24
Stated Value (Precedent)	(Excluding VAT) 313,200,000 TRY

### ŞEKERPINAR BUILDINGS

Report Date	26.12.2019
Report Number	Confidential 2019-1111
Appraisal Date	22.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Real estates located in Kocaeli Province, Çayırova District, Şekerpınar land.
Stated Value (Cost)	(Excluding VAT) 233,420,000 TRY

## İSTANBUL SALIPAZARI PORT BOSPHOURS HOTEL

Report Date	30.12.2019
Report Number	Confidential 2019-1084
Appraisal Date	26.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	The real estate property qualified as 10-Story Reinforced Framed Building located in İstanbul Province, Beyoğlu District, Kılıçali Quarter, layout 138, block, 57 and plot 14
Tespit Edilen Değer (Maliyet)	(Excluding VAT) 85,000,000 TRY

## İSTANBUL BEYOĞLU BUILDING

Report Date	19.12.2019
Report Number	Confidential 2019-1090
Appraisal Date	14.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Office building consisting of 2 basements + ground + mezzanine + 6 normal floor buildings and 9 independent units located in İstanbul Province, Beyoğlu District, Hüseyinağa Quarter on block 338, plot 8.
Stated Value (Precedent)	(Excluding VAT) 33,350,000 TRY

## İSTANBUL ATAÖY BUILDING

Report Date	18.12.2019
Report Number	Confidential 2019-1091
Appraisal Date	14.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	It is the building with basement+ ground floor+ 1 normal floor+penthouse located in İstanbul Province, Beyoğlu District, Kartaltepe Quarter on layout 51, block 115, plot 174.
Stated Value (Precedent)	(Excluding VAT) 14,750,000 TRY

## İSTANBUL BEŞİKTAŞ BUILDING

Report Date	18.12.2019
Report Number	Confidential 2019-1089
Appraisal Date	14.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Masonry office building bank service building registered in İstanbul Province, Beşiktaş District, Sinanpaşa Quarter on block 291, plot 93.
Stated Value (Precedent)	(Excluding VAT) 22,750,000 TRY

## İSTANBUL BAKIRKÖY BUILDING

Report Date	23.12.2019
Report Number	Confidential 2019-1099
Appraisal Date	20.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Building consisting of 2 basements + ground floor + 5 normal floor buildings located in İstanbul Province, Bakırköy District, Zeytinlik Quarter on layout 16, block 101, plot 29.
Stated Value (Precedent)	(Excluding VAT) 27,750,000 TRY

## İSTANBUL ETİLER BUILDING

Report Date	23.12.2019
Report Number	Confidential 2019-1098
Appraisal Date	19.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Building registered in İstanbul Province, Beşiktaş District, Etiler Quarter, block 578, plot 3
Stated Value (Precedent)	(Excluding VAT) 23,700,000 TRY

## İSTANBUL CADDEBOSTAN BUILDING

Report Date	31.12.2019
Report Number	Confidential 2019-1097
Appraisal Date	27.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Land share values of independent units numbered 1,2,9,10 in the main property registered on the land located in İstanbul Province, Kadıköy District, Erenköy Quarter, on layout 106/4, block 368, plot 25
Stated Value (Precedent)	(Excluding VAT) 27,100,000 TRY

## İSTANBUL FATİH BUILDING

Report Date	19.12.2019
Report Number	Confidential 2019-1092
Appraisal Date	15.12.2019
Date Of The Base Contract	01.02.2019
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.
Stated Value (Precedent)	(Excluding VAT) 14,975,000 TRY

## İSTANBUL KARAKÖY BUILDING

Report Date	18.12.2019
Report Number	Confidential 2019-1087
Appraisal Date	14.12.2019
Date Of The Base Contract	01.02.2019
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 İstanbul Province, Beyoğlu District, Müeyyetzade District, block 102 and plot 3.
Stated Value (Precedent)	(Excluding VAT) 40,000,000 TRY

## İSTANBUL ŞİŞLİ BUILDING

Report Date	18.12.2019
Report Number	Confidential 2019-1088
Appraisal Date	14.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Masonry with the notification of masonry with a working place under, located in İstanbul Province, Şişli District, Meşrutiyet Quarter, block 954, plot 62 with an area of 200.00 sqm.
Stated Value (Precedent)	(Excluding VAT) 20,000,000 TRY

## İSTANBUL NİŞANTAŞI BUILDING

Report Date	20.12.2019
Report Number	Confidential 2019-1093
Appraisal Date	17.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Main real estate registered in İstanbul province, Şişli District, Halaskargazi Quarter, block 680, plot 14.
Stated Value (Precedent)	(Excluding VAT) 11,500,000 TRY

## ANKARA BAĞÇELİEVLER BUILDING 1

Report Date	16.12.2019
Report Number	Confidential 2019-1105
Appraisal Date	11.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Real estate qualified as “1 Bank Branch with independent unit no 1, 2 and 7” in the title deed, located in Ankara Province, Merkez Çankaya District, Yukarı Bağçelievler Quarter, block 2758, plot 29
Stated Value (Precedent)	(Excluding VAT) 11,550,000 TRY



## ANKARA BAHÇELİEVLER BUILDING 2

Report Date	16.12.2019
Report Number	Confidential 2019-1106
Appraisal Date	11.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	“Warehouse Workplace” with ground floor no 9 located in Ankara Province, Çankaya District, block 2763 plot 10
Stated Value (Precedent)	(Excluding VAT) 8,250,000 TRY

## ANKARA KIZILAY BUILDING

Report Date	26.12.2019
Report Number	Confidential 2019-1108
Appraisal Date	21.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Real estate registered qualified as “Masonry” in Ankara Province, Çankaya District, block 1064 plot 14 (51 independent units)
Stated Value (Precedent)	(Excluding VAT) 22,400,000 TRY

## ANKARA BAŞKENT BUILDING

Report Date	25.12.2019
Report Number	Confidential 2019-1107
Appraisal Date	21.12.2019
Date Of The Base Contract	01.02.2019
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
Stated Value (Precedent)	(Excluding VAT) 14,000,000 TRY

## İZMİR KONAK BUILDING 1

Report Date	19.12.2019
Report Number	Confidential 2019-1109
Appraisal Date	15.12.2019
Date Of The Base Contract	01.02.2019
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
Stated Value (Precedent)	(Excluding VAT) 33,900,000 TRY

## İZMİR KONAK BUILDING 2

Report Date	25.12.2019
Report Number	Confidential 2019-1110
Appraisal Date	20.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Real properties located in İzmir Province, Konak District, Akdeniz Quarter, layout 77, block 2802, plot 15 i. u. numbered 1-3-5-15-16
Stated Value (Precedent)	(Excluding VAT) 18,250,000 TRY

## BURSA BUILDING

Report Date	16.12.2019
Report Number	Confidential 2019-1114
Appraisal Date	12.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	“7-Story Reinforced Concrete Bank Building” registered on Bursa Province, Osmangazi District, Kayıhan Quarter, layout H22D07A3B, block 4306, plot 1
Stated Value (Precedent)	(Excluding VAT) 17,250,000 TRY

## KOCAELİ BUILDING

Report Date	25.12.2019
Report Number	Confidential 2019-1112
Appraisal Date	21.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	“Reinforced Concrete Bank Service Building” in Kocaeli Province, İzmit District, block 870 plot 48
Stated Value (Precedent)	(Excluding VAT) 14,500,000 TRY

## SAKARYA ADAPAZARI BUILDING

Report Date	26.12.2019
Report Number	Confidential 2019-1113
Appraisal Date	22.12.2019
Date Of The Base Contract	01.02.2019
Short Description Of The Appraised Property	Working places with b.u. no 23 with the stores with independent unit 1 and 3 in the main real property qualified as “Land” registered in Sakarya Province, Adapazarı District, block 130, plot 167
Stated Value (Land-Precedent)	(Excluding VAT) 9,500,000 TRY



# ANNEX 2:

## CORPORATE GOVERNANCE COMPLIANCE REPORT OF 2019

SECTION 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 year 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 was set as “93.07” by Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. (SAHA) within the scope of their examination in 2019. Our Company’s notes taken from 4 main sections: It is as Shareholders with 94.90, Public Disclosure and Transparency with 95.17, Stakeholders 94.36, Board of Directors 89.72. 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 10.01.2019, Corporate Governance Compliance reporting under Communique 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 can be accessed via <https://www.kap.org.tr/tr/sirket-bilgileri/ozet/1701-halk-gayrimenkul-yatirim-ortakligi-a-s> These reports are also available on the Company website in the “Investor Relations” section, under the heading of “Corporate Governance”.

The descriptive information regarding the reporting made via the templates are detailed below.

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 activities 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 of 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 year, legislative changes concerning investor relations activities and has also been active in the process of rating and improving corporate governance practices.

During the period, the information requests from individual and corporate investors via phone and e-mail were met and the meetings with national and international corporate investment companies or intermediary institutional analysts were held by Investor Relations.

### 3 - Use of Shareholders' Right to be Informed

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.

Investors can connect to CRA's portal through the "Information Society Services" section organized by the Ministry of Customs and Trade within the scope of the "Regulation" published on the websites of capital companies and can access basic information about the Company through this link.

Care is taken to publish the announcements regarding the company's activities in the press in the national press. 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 of 2018 was held on April 9, 2019 in the Company's registered office with 79.76% attendance. 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 does 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 2018 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.

General Assembly process was carried out in compliance with the Corporate Governance Principles and the provisions of the TCC; as anticipated in the invitation regarding the meeting, Law and Articles of Incorporation, and by involving the agenda and amendment draft, Public Disclosure Platform (PDP) Company's website, Electronic General Assembly System (EGAS) of CRA were published in Trade Registry Gazette and invitation letter was also

sent to sent to registered shareholders whose shares are not traded on the stock exchange via registered letter with return receipt. In addition to those, a "General Assembly Information Document" was prepared for the investors to give prior information on topics to be discussed in the general assembly and a sample of power of attorney, agenda and suggestion of Board of Directors about dividend were added to Company's website together with the invitation text. The 2018 Annual Report was presented 21 days prior to the meeting date on Company's registered office, website and on [www.kap.gov.tr](http://www.kap.gov.tr) in order for the investors to review.

All documents prepared regarding 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. 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.

## 5 - Voting Rights and Minority Rights

The total share of 928,000,000 with the nominal value of 1 TRY representing the capital within the capital limit registered of our Company as 1,500,000,000 TRY is comprised of Group A of 15,013,259,635 and Group B of 912,986,740,365.

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. The provision, "No privilege can be created including the privilege for nominating candidates to the Board of Directors after public offering," was inserted.

Principles related to voting at General Assembly Meetings are placed in the Company's "General Assembly Operating

## 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

## 7 - Transfer of Shares

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

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 in General Assembly 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 terms anticipated in the legislation.

At the Ordinary General Shareholders' Meeting of 2018 held during the period, the amount of 5,000,000 TRY which corresponds to 6.35% of the distributable period profit of 2018 to be distributed as cash on 17.04.2019, and the amount of 70,000,000 TRY which corresponds to 88.90% to be distributed in the form bonus share and the capital increase process started on 20.06.2019.

# 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

## 9 - Company Website and Content

The Company’s web site is available at [www.halkgyo.com.tr](http://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.

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, the objectives of 2019 were pointed out in 2018 year-end annual report, the explanations regarding these objectives were shared in 2019 year-end annual report under the same title with the public.

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 this link. In 2014, our company designed an English and Turkish mobile web site to provide easy access for smart phones and tablets. This mobile website 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 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 annual 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 of 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

## 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 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 decisions taken about the employees and the communication are conducted in accordance with the relevant guidelines.

All 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.

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 period, 4 annual reports, 4 press releases and 61 special case announcements were made by our Company in order to inform the stakeholders.

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., out 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 Board Members are regulated in the Company’s Articles of Association. The Company is managed by the Board of Directors and is represented outside. The 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 of the Boar Members have the minimum qualifications required in selection of Board Member set out in CMB Corporate Management Principles. The Board of Directors

has a total of 6 members, consisting of 1 executive and 5 non-executive directors, 2 of which are independent. In 2019, 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. Our Company does not have any regulation preventing the selection of woman member to the Board of Directors along with not having any policy determining target rate and time providing that the rate of woman members are not less than twenty-five percent in the Board of Directors.

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
Mehmet Emin ÖZCAN	Chairman Of The Board	Banker	--	T. Halk Bankası A.Ş. Independent Bd Member / Halk Vkş A.Ş. Chairman Of Bd	--	--	June 2019	Non-executive Member/ Independent Member
Mevlüt UYSAL	Vice Chairman Of The Board	Bureaucrat	--	Türkiye Halk Bankası A.Ş. Board Member	--	--	June 2019	Non-executive Member/ Independent Member
Ali CEBECİ	Board Member	Banker	--	T. Halk Bankası A.Ş. Head Of Inspection Board	--	--	April 2019	Non-executive Member/ Not an Independent Member
Mehmet TANRIVERDİ	Board Member	Banker	--	T. Halk Bankası A.Ş. Department Head Of Construction Appraisal And Real Estate Management	--	--	April 2019	Non-executive Member/ Not an Independent Member
Dursun Ali KILICLI	Board Member	Banker	--	T. Halk Bankası A.Ş. Department Head Of Corporate And Commercial Marketing	--	--	June 2019	Non-executive Member/ Not an Independent Member
Erdal BEKİN	Board Member – Acting General Manager	Engineer	Head Of Group	--	--	--	February 2020	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 2019 year-end annual report.

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 2019, 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 Company’s Board Members 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 43 times during the period and 61 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 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 Committee for Early Detection of Risk 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 three 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	Mehmet Emin ÖZCAN	Independent	Mevlüt UYSAL	Independent
Corporate Governance Committee	Mehmet Emin ÖZCAN	Independent	Dursun Ali KILICLI Uğur GÜNEY	Not Independent Not Independent-Executive
Remuneration Committee	Mehmet Emin ÖZCAN	Independent	Ali CEBECİ	Not Independent
Committee for Early Detection of Risk	Mehmet Emin ÖZCAN	Independent	Mevlüt UYSAL	Independent

The Board of Directors of the Company consists of a total of 6 members, 1 executive and 5 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 year, 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 submits 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 the title no 1 of 2019 year-end 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 in our Company are conducted by the “Department of Internal Audit & Risk and Compliance””. 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 during the year. 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, Committee for Early Detection of Risk, 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

## 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

strategies result of the decisions made and the deviations in forecasts, 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.

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 1,963,398 TRY.





# HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2019 AND  
INDEPENDENT AUDITOR'S REPORT

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



# 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 2019, 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 the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRSs).

### 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

As detailed in Note 27, we draw attention to the following which might affect the Parent Bank:

On 15 October 2019, an indictment prepared by the New York Southern District Attorney General of the United States (“US”) Department of Justice for violation of Iranian sanctions and a lawsuit was filed against the Parent Bank in the New York Southern District Court (“District Court”). This case and the Parent Bank’s objections in the District Court and the appeal process in the US Second Circuit Court of Appeals are ongoing. On 31 January 2020, the US Second Circuit Court of Appeals, granted a temporary stay on the New York Southern District Court litigation. In addition, the appeal process of the case which resulted in conviction for the defendant former executive of the Parent Bank, who was released on 19 July 2019 and returned back to Turkey, is ongoing. At this stage, the Parent Bank’s Management stated that there were no penalty, sanction or measure arising from the ongoing case against the Parent Bank in the appeal process. There is an uncertainty with respect to any decisions by the US authorities that may adversely affect the financial position of the Bank. No provision has been made in the financial statements of the Parent Bank related to these matters. Our opinion is not modified in respect of these matters.

### 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

1) Presentation of investment properties in the financial statements and significant disclosures

The Company recognizes its investment properties according to fair value model.

The fair values of the investment properties presented in the financial statements amounting to TL 2,715,950,000 as of 31 December 2019 have been determined by an independent appraiser firm.

Due to the fact that investment properties comprise approximately 89% of the Company’s total assets and methods used in fair value determination include significant estimates and assumptions, we have determined the accuracy of works in determination of fair value of the investment properties together with principles related to presentation of investment properties in the financial statements as a key audit matter.

(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.)

### How the matter was addressed in the audit

The following procedures were performed within the scope of our audit work:

-We evaluated the design and implementation of the key controls prepared by the appraisers appointed by the Company.

-Qualifications, competencies and independencies 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 is checked for investment properties and the values determined by the appraisers in their reports.

-The assumptions used by 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 with another independent external expert (real estate appraiser) in our work in order to assess such analysis.

- Due to the existence of high level judgments used in the valuation reports as well as alternative estimates and valuation methods; the value, which had been appreciated by the valuation specialists, was assessed through performing above mentioned procedures whether it is within an acceptable range.

-In addition, the appropriateness of the information disclosed in the financial statements and in the explanatory notes was assessed for the importance of the disclosed information for the financial statement users.



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

The Company management is responsible for the preparation and fair presentation of these 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 the standards on auditing issued by Capital Markets Board 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.

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 2020. 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 2019 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

İstanbul, 14 February 2020



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## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(Amounts expressed in Turkish Lira (TL))

		Audited	Restated Audited
Assets	Notes	31 December 2019	31 December 2018
<b>Current Assets</b>		<b>192,228,287</b>	<b>213,276,049</b>
Cash and Cash Equivalents	26	74,285,277	28,825,032
Trade Receivables	5	11,511,709	9,757,225
- Trade Receivables from Related Parties	4	3,114	627
- Trade Receivables from Third Parties	--	11,508,595	9,756,598
Inventory	6	67,906,463	108,935,331
Prepaid Expenses	7	10,072,788	16,423,666
- Prepaid Expenses to Related Parties	--	9,979,415	298,429
- Other Prepaid Expenses	--	93,373	16,125,237
Current Tax Assets	--	1,024,761	1,021,383
Other Current Assets	13	27,427,289	48,313,412
- Other Current Assets	--	27,427,289	48,313,412
<b>Non - Current Assets</b>		<b>2,846,980,843</b>	<b>2,419,517,344</b>
Trade Receivables	5	4,426,244	6,216,382
-Trade Receivables from Third Parties		4,426,244	6,216,382
Investment Property	8	2,715,950,000	2,288,772,410
Property, Plant and Equipment	9	4,424,599	800,320
Intangible Assets	10	305,959	346,313
- Other Intangible Assets	--	305,959	346,313
Prepaid Expenses	7	96,753,415	103,052,919
Prepaid Expenses to Related Parties		--	298,429
- Other Prepaid Expenses	--	96,753,415	102,754,490
Other Non-Current Assets from Third Parties	13	25,120,626	20,329,000
- Other Non - Current Assets from Third Parties		25,120,626	20,329,000
<b>Total Assets</b>		<b>3,039,209,130</b>	<b>2,632,793,393</b>

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

## HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

### AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(Amounts expressed in Turkish Lira (TL))

		Audited	Restated Audited
Liabilities and Equity	Notes	31 December 2019	31 December 2018
<b>Current Liabilities</b>		<b>452,228,381</b>	<b>353,338,299</b>
Short-Term Liabilities	22	421,990,029	293,920,037
Short-Term Portion of Long-Term Borrowings	22	3,396,659	3,397,826
-Short-Term Financial Borrowings from Related Parties	--	3,396,659	3,397,826
Trade Payables	5	2,955,431	15,628,217
- Trade Payables to Related Parties	4	55,804	79,078
- Trade Payables to Third Parties	--	2,899,627	15,549,139
Deferred Income	7	13,423,297	10,116,377
- Deferred Income from Third Parties	--	13,423,297	10,116,377
Short-Term Provisions	--	1,594,925	1,549,747
- Short-Term Portion of Provisions Related to Employee Benefits	12	1,592,889	1,262,500
- Other Current Provisions	11	2,036	287,247
Other Current Liabilities	13	8,868,040	28,726,095
- Other Current Liabilities	--	8,868,040	28,726,095
<b>Non - Current Liabilities</b>		<b>8,761,067</b>	<b>17,836,274</b>
Long - Term Borrowings	22	8,020,447	17,306,339
- Long -Term Financial Borrowings from Related Parties	--	8,020,447	17,306,339
Long -Term Provisions	12	740,620	529,935
- Long -Term Portion of Provisions Related to Employee Benefits	--	740,620	529,935
<b>Equity</b>		<b>2,578,219,682</b>	<b>2,261,618,820</b>
Share Capital	14	928,000,000	858,000,000
Treasury Shares (-)	14	(26,162,328)	(24,188,879)
Share Premium/Discounts	--	49,945,096	49,945,096
Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss	--	(23,610)	(81,503)
- Gains on remeasurement of defined benefit plans	--	(23,610)	(81,503)
Restricted Reserves Appropriated from Profit	14	49,937,018	42,011,650
Retained Earnings	--	1,255,115,292	954,587,570
Net Profit For The Period	--	321,408,214	381,344,886
<b>Total Liabilities And Equity</b>		<b>3,039,209,130</b>	<b>2,632,793,393</b>

The accompanying notes form 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 2019

(Amounts expressed in Turkish Lira (TL))

		Audited	Restated Audited
	Notes	1 January - 31 December 2019	1 January - 31 December 2018
Revenue	15	129,978,874	319,158,974
Cost of Sales (-)	15	(42,155,655)	(216,626,386)
Gross Profit		87,823,219	102,532,588
General Administrative Expenses (-)	17	(15,141,458)	(12,811,718)
Marketing and Selling Expenses (-)	17	(4,993,522)	(4,671,801)
Other Income from Operating Activities	18	2,288,368	6,316,561
Other Expenses from Operating Activities (-)	18	(481,752)	(1,861,940)
Operating Profit		69,494,855	89,503,690
Investment Property Revaluation Gains		262,434,998	306,881,143
Operating Profit Before Finance Expense		331,929,853	396,384,833
Finance Expenses (-)	19	(10,521,639)	(15,039,947)
Profit Before Tax		321,408,214	381,344,886
Profit For The Period		321,408,214	381,344,886
Profit/Loss From Discontinued Operations		-	-
Profit For The Period		321,408,214	381,344,886
Earnings per Share		0,3463	0,4601
Other Comprehensive Income:			
Other Comprehensive Income that will not be Reclassified to Profit or Loss		57,893	(94,701)
Gains on Remeasurement of Defined Benefit Plans		57,893	(94,701)
Other Comprehensive Income		57,893	(94,701)
Total Comprehensive Income		321,466,107	381,250,185

The accompanying notes form 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 2019

(Amounts expressed in Turkish Lira (TL))

				Accumulated Other Comprehensive Income or Expenses that will not be Reclassified to Profit or Loss		Retained Earnings		
	Share Capital	Treasury Shares	Share Premium / Discounts	Accumulated Gain/Loss on Remeasurement of Defined Benefit Plans	Restricted Reserves Appropriated from Profit	Prior Years' Profit / Loss	Net Profit/Loss for the Period	Equity
Balances as of 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
Effects of Accounting Policy Changes Made According to TFRS 9	--	--	--	--	--	(683,632)	--	(683,632)
Effects of Accounting Policy Changes Made According to TFRS 15	--	--	--	--	--	5,343,485	--	5,343,485
Restated balance as at 1 January 2018	820,000,000	(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)	--	--	381,344,886	381,250,185
Capital Increase	38,000,000	(1,071,301)	--	--	--	(36,928,699)	--	--
Dividends	--	--	--	--	--	(3,692,870)	--	(3,692,870)
Balances as of 31 December 2018	858,000,000	(24,188,879)	49,945,096	(81,503)	42,011,650	954,587,570	381,344,886	2,261,618,820
Balances as of 1 January 2019	858,000,000	(24,188,879)	49,945,096	(81,503)	42,011,650	954,587,570	381,344,886	2,261,618,820
Transfers	--	--	--	--	7,925,368	373,419,518	(381,344,886)	--
Total Comprehensive Income	--	--	--	57,893	--	--	321,408,214	321,466,107
Capital Increase	70,000,000	(1,973,449)	--	--	--	(68,026,551)	--	--
Dividends	--	--	--	--	--	(4,865,245)	--	(4,865,245)
Balances as of 31 December 2019	928,000,000	(26,162,328)	49,945,096	(23,610)	49,937,018	1,255,115,292	321,408,214	2,578,219,682

The accompanying notes form 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 2019

(Amounts expressed in Turkish Lira (TL))

	Notes	Audited	Restated Audited
		1 January - 31 December 2019	1 January - 31 December 2018
<b>A. Cash Flows from Operating Activities</b>			
Profit for the Period		321,408,214	381,344,886
Adjustments to Reconcile Net Profit for the Period			
- Adjustments Related to Depreciation and Amortization Expenses	9-10	1,611,292	176,142
- Adjustments Related to Provisions	11-12	268,294	280,265
- Adjustments Related to Interest Income and Expenses	15-19	5,546,217	8,302,226
- Adjustments Related to Loss / Gain in Fair Value	8	(262,434,998)	(306,881,143)
- Adjustments Related to (Increase) / Decrease in Inventories	6	12,166,161	143,069,073
- Adjustments Related to (Increase) / Decrease in Trade Receivables		35,654	26,529,074
- Adjustments Related to (Increase) / Decrease in Prepaid Expenses		12,650,382	(51,296,283)
- Adjustments Related to (Increase) / Decrease in Other Assets		16,091,119	(7,323,888)
- Adjustments Related to Increase / (Decrease) in Trade Payables		(12,672,786)	(2,397,740)
- Adjustments Related to Increase / Decrease in Deferred Revenue		3,306,920	(226,958,539)
- Adjustments Related to Increase/(Decrease) in Other Liabilities		(19,385,933)	20,032,839
<b>Cash Generated from Operations</b>		<b>78,590,536</b>	<b>(15,123,088)</b>
Interest Received		3,704,407	5,234,204
Other Cash Inflows/ Outflows		-	(157,964)
		<b>82,294,943</b>	<b>(10,046,848)</b>
<b>B. Cash Flows from Investing Activities</b>			
Cash Outflows for Purchase of Property, Plant and Equipment and Intangible Assets	9-10	(4,371,959)	(946,405)
Cash Outflows for Investment Properties	8	(76,672,016)	(157,743,064)
Proceeds from Disposals of Investment Properties	8	-	4,236,600
		<b>(81,043,975)</b>	<b>(154,452,869)</b>
<b>C. Cash Flows from Financing Activities</b>			
Proceeds from Borrowings		1,614,559,579	694,580,081
Cash Used for Repayment of Borrowings		(1,555,808,291)	(606,870,299)
Dividends Paid		(4,865,245)	(3,692,870)
Interest Paid	19	(9,537,441)	(13,536,430)
		<b>44,348,602</b>	<b>70,480,482</b>
<b>Net Increase/Decrease In Cash And Cash Equivalents (A+B+C)</b>		<b>45,599,571</b>	<b>(94,019,235)</b>
<b>D. Cash And Cash Equivalents At The Beginning Of The Period</b>		<b>28,601,528</b>	<b>122,620,763</b>
<b>Cash And Cash Equivalents At The End Of The Period (A+B+C+D)</b>	26	<b>74,201,099</b>	<b>28,601,528</b>

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

# HALK GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE AUDITED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

(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”) (see also 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 928,000,000 of which TL 196,217,979 was paid in cash whereas TL 466,282,021 was paid in kind and TL 265,500,000 was incorporated from reserves internally appropriated (by bonus issue).

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

As of 31 December 2019, the number of personnel employed in the Company is 42 (31 December 2018: 38).

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.

The capital increase is detailed as follows:

Date	Share Capital	Capitalisation	Increase Value	Funds
19 December 2017	477.000.000	Rights issue	-	Initial capital
15 August 2012	662.500.000	Rights issue	185,500,000	Public offering
20 June 2013	673.638.704	Bonus issue	11,138,704	Retained earnings
5 June 2014	697.900.000	Bonus issue	24,261,296	Retained earnings
11 June 2015	743.000.000	Bonus issue	45,100,000	Retained earnings
25 May 2016	790.000.000	Bonus issue	47,000,000	Retained earnings
15 August 2017	820.000.000	Bonus issue	30,000,000	Retained earnings
8 June 2018	858.000.000	Bonus issue	38,000,000	Retained earnings
17 June 2019	928.000.000	Bonus issue	70,000,000	Retained earnings

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 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 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.

The details of the Company's shares in the joint activities are given below:

Joint operations	Type of activity	Main activity fields
Halk GYO-Vakıf GYO Joint Venture	Construction	Real Estate Construction
Halk GYO-Erkonut Joint Venture	Construction	Real Estate Construction
Teknik Yapı-Halk GYO Joint Venture	Construction	Real Estate Construction

Approval of financial statements:

The Board of Directors has approved the financial statements and delegated authority for publishing it on 14 February 2020. The 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 TFRS

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" ("the Communiqué"), which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards ("TFRS") and interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

In addition, the financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013. 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 Company entity undertakes its activities under joint operations, the Company 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 TFRS applicable to the particular assets, liabilities, revenues and expenses.

2.2 Impact of Changes in Accounting Policies

This note explains the impact of the adoption of TFRS 16 Leases on the Company’s financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

As a result of the adoption of TFRS 16, as of 1 January 2019, the accounting policies have been changed and the financial statements have been adjusted. In concordance with the transition provisions of TFRS 16, the prior year’s financial statements were no restated.

On adoption of TFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of TAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

Right-of-use assets regonized are related to the assets below:

	31 December 2019	1 January 2019
Properties	1,474,566	1,230,009
Motor Vehicles	542,835	311,192
Total right-of-use assets	2,017,401	1,541,201

As of 1 January 2019, the impact on the financial statements is detailed as follows:

	Amount
Liabilities related to operating lease as of 31 December 2018	1,914,418
Effect of discounting the above amounts	(373,217)
Liabilities related to operating lease as of 1 January 2019	1,541,201

The change in accounting policy affected the following items in the balance sheet on 1 January 2019.

- Right-of-use assets – increase by TL 1,541,201
- Lease liabilities – increase by TL 1,541,201

As of 1 January 2019, there is no net effect on retained earnings/accumulated losses.

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 period but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. In the current period, there are no material errors and changes in accounting estimates.

2.4 New and Amended Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective as of 2019

TFRS 16	Leases
TFRS Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to TAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to TAS 19	Amendments to Employee Benefits
Annual Improvements to TFRS Standards 2015–2017 Cycle	Amendments to TFRS 3, TFRS 11, TAS 12 and TAS 23

TFRS 16 Leases

General impact of application of TFRS 16 Leases

TFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. TFRS 16 supersedes the current lease guidance including TAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019. The date of initial application of TFRS 16 for the Company is 1 January 2019 retrospectively taking into account the cumulative effect in the financial statements.

In contrast to lessee accounting, TFRS 16 substantially carries forward the lessor accounting requirements in TAS 17.

Impact of the new definition of a lease

The Company made use of the practical expedient available on transition to TFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with TAS 17 and TFRS Interpretation 4 continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. TFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company applied the definition of a lease and related guidance set out in TFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting

Operating leases

TFRS 16 changes how the Company accounts for leases previously classified as operating leases under TAS 17, which were off balance sheet.

On initial application of TFRS 16, for all leases (except as noted below), the Company has:

- a) Recognised right of use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- b) Recognised depreciation of right of use assets and interest on lease liabilities in the statement of profit or loss;
- c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right of use assets and lease liabilities where-as under TAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight line basis.

Under TFRS 16, right of use assets are tested for impairment in accordance with TAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short term leases (lease term of 12 months or less) and leases of low value assets (such as personal computers and office furniture), the Company opted to recognise a lease expense on a straight line basis as permitted by TFRS 16.

As at 1 January 2019, the impact of TFRS 16 on the financial statements of the Company is disclosed in “the Effects of Accounting Policy Amendments” note.

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 addresses the application of recognition and measurement provisions under TAS 12 when there is uncertainty over income tax treatments.

Amendments to TAS 19 Employee Benefits

The Amendments to TAS 19 Employee Benefits address the impact of the changes in defined benefit plans (one of the two benefits provided after employment relationship is ended defined benefit plans and defined contribution plans) to the recognition of the defined benefit plans, and TAS 19 has been amended.

Annual Improvements to TFRS Standards 2015–2017 Cycle

Annual Improvements to TFRS Standards 2015–2017 Cycle include amendments to TFRS 3 Business Combinations and TFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, TAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and TAS 23 Borrowing Costs in capitalized borrowing costs.

Other than TFRS 16, these standards, amendments and improvements have no impact on the financial position and performance of the Company.

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

The Company has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	Insurance Contracts
Amendments to TFRS 3	Business Combinations
Amendments to TAS 1	Presentation of Financial Statements
Amendments to TAS 8	Accounting Policies, Changes in Accounting Estimates and Errors

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2021.

Amendments to TFRS 3 Definition of a Business

The definition of “business” is important because the accounting for the acquisition of an activity and asset Company varies depending on whether the Company is a business or only an asset Company. The definition of “business” in TFRS 3 Business Combinations standart has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a Company of assets.

Amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

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 (reporting entity).

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) hassignificantinfluenceoverthereportingentity;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

In accordance with the contract, revenue is included in the financial statements when the performance obligation determined in the contract is fulfilled after the real estate committed is transferred to the customer. When the customers receives the control of the property, the real estate is considered as transferred.

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 that are not designed are transferred to the buyer according to TFRS 15 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 the lands designed in the scope of “Land Sale of Revenue Sharing Agreement” (LSRSA) when transfer of legal ownership of land is transferred to the buyer. When the legal ownership is not transferred, the Company books its share of revenue as deferred income. The Company’s share (land sales income) 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

The Company as Lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under TAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Company applies TAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, TFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

### The Company as lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised 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 recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised 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. When a contract includes lease and non-lease components, the Company applies TFRS 15 to allocate the consideration under the contract to each component.

## Accounting Policy Applied until 31 December 2018 for Leases

### Financial 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.

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 as detailed above. 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 seperately*

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 seperately 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 in the statement of profit or loss 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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, the Company changes its business model for managing financial assets it shall reclassify all affected financial assets. If the Company 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 Group 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

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 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 for:

- 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.

Earnings Per Share

Earnings per share disclosed in the statement of comprehensive income 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 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 deducting from retained earnings 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:

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 licenced 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.

Borrowing costs

In accordance with TAS 23, the Company evaluates whether 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, will be added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. As of 31 December 2019, finance cost amounting to TL 101,342,328 has been capitalized.

3 - INTERESTS IN OTHER ENTITIES

Joint Operations

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

	31 December 2019	31 December 2018
Halk GYO-Vakıf GYO Joint Venture	50%	50%
Halk GYO-Erkonut Joint Venture	50%	50%
Halk GYO-Teknik Yapı Joint Venture	50%	50%

Halk GYO-Vakıf GYO Joint Venture

Halk GYO-Vakıf GYO Joint Venture has been 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-V akıf GYO Joint V enture	31 December 2019	31 December 2018
Current assets	76,266,214	99,181,512
Non-current assets	9.892,027	22,871,423
Current liabilities	(3,922,897)	(8,844,324)
	1 January - 31 December 2019	1 January - 31 December 2018
Profit for the period	17,636,097	14,254,018

Halk GYO-Erkonut Joint Venture

Halk GYO-Erkonut Joint Venture has been 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 Joint Venture	31 December 2019	31 December 2018
Current assets	9,212,839	40,093,573
Non-current assets	-	15,095
Current liabilities	(680,156)	(5,721,325)
	1 January - 31 December 2019	1 January - 31 December 2018
Profit for the period	199,842	15,495,419



Halk GYO-Teknik Yapı Joint Venture

Halk GYO-Teknik Yapı Joint Venture has been 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 Joint Venture	31 December 2019	31 December 2018
Current assets	19,530,554	8,151,289
Non-current assets	2,307,748	15,973,326
Current liabilities	(44,683,306)	(31,392,312)
Non-current liabilities	(10,254,938)	(2,987,240)
	1 January - 31 December 2019	1 January - 31 December 2018
Loss for the period	(12,581,338)	(9,053,144)

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 2019	31 December 2018
Demand deposits	715,995	629,156
Time deposits	73,575,405	28,121,306
POS balance	--	11,132
	74.291.400	28,761,594
Related party balances		
Halk Varlık Yönetimi A.Ş. lease certificate issuance (Note 22)	367,171,740	250,839,562
Short-term loans received from Halk Bank	31,143,131	25,955,799
Long-term loans received from Halk Bank	1,058,667	4,030,427
Halk Leasing Finansal Lease agreement liabilities	21,549,682	23,999,353
	420,923,220	304,825,141

	31 December 2019						
	Receivables		Payables			Prepaid Expenses	
	Short-term		Short-term		Long-term	Short-term	
Balances with related parties	Trade	Non-trade	Trade	Non-trade	Non-trade	Trade	Non-trade
Shareholders							
Halkbank A.Ş.	627	--	10,322	31,143,131	1,058,667	--	--
Other companies controlled by main shareholder							
Halk Hayat ve Emeklilik A.Ş.	--	--	--	--	--	7,246	--
Halk Leasing Finansal Kiralama A.Ş. (*)	2,487	--	--	15,332,102	6,217,580	--	--
Halk Varlık Kiralama A.Ş.	--	--	--	367,171,740	--	--	--
Halk Sigorta A.Ş.	--	--	45,482	--	--	414,748	--
	3,114	--	55,804	413,646,973	7,276,247	421,994	--
	31 December 2018						
	Receivables		Payables			Prepaid Expenses	
	Short-term		Short-term		Long-term	Short-term	
Balances with related parties	Trade	Non-trade	Trade	Non-trade	Non-trade	Trade	Non-trade
Shareholders							
Halkbank A.Ş.	627	--	4,541	--	--	--	--
Other companies controlled by main shareholder							
Halk Hayat ve Emeklilik A.Ş.	--	--	--	--	--	4,111	--
Halk Leasing Finansal Kiralama A.Ş. (*)	--	--	--	11,405,834	12,593,519	--	--
Halk Varlık Kiralama A.Ş.	--	--	--	250,839,562	--	--	--
Halk Sigorta A.Ş.	--	--	74,537	--	--	294,318	--
	627	--	79,078	262,245,396	12,593,519	298,429	--

(\*) The Company signed a contract with Buga Otis Asansör Sanayi ve Ticaret A.Ş. concerning the purchase of the vertical procurement works (lift and escalator) services of Halk Office Towers, which will be built within the scope of the Istanbul International Financial Center project and for the financing of the aforementioned service purchase, the Company also signed a finance lease contract with Halk Finansal Kiralama A.Ş. Assets acquired through finance leases are recognized under investment properties and borrowing cost amounting to TL 4,157,949 has been capitalized (31 December 2018: TL 7,421,763).

1 January - 31 December 2019						
Transactions with related parties	Interest income	Interest expenses	Currency difference expenses	Rent income	Other expenses	Finance Expenses Capitalized on Investment Properties
<b>Shareholders</b>						
Halkbank A.Ş.	(6,602,940)	6,180,291	--	43,610,622	630,002	4,797,866
<b>Other companies controlled by the parent</b>						
Halk Varlık Kiralama A.Ş.	--	60.671.562	--	--	--	(60,671,562)
Halk Hayat ve Emeklilik A.Ş.	--	--	--	76,861	28,604	--
Halk Leasing Finansal Kiralama A.Ş.	--	2,234,707	2,191,728	--	--	(4,157,949)
Halk Sigorta A.Ş. (*)		--	--	--	1,348,288	--
	(6,602,940)	69,086,560	2,191,728	43,687,483	2,006,894	(60,031,645)
(*) The amount consists of building and health insurance services from Halk Sigorta A.Ş.						
1 January - 31 December 2018						
Transactions with related parties	Interest income	Interest expenses	Currency difference expenses	Rent income	Other expenses	Finance Expenses Capitalized on Investment Properties
<b>Shareholders</b>						
Halkbank A.Ş.	(5,440,630)	5,969,724	--	40,607,422	256,188	5,225,767
<b>Other companies controlled by the parent</b>						
Halk Hayat ve Emeklilik A.Ş.	--	--	--	59,702	16,971	--
Halk Sigorta A.Ş.	--	--	--	--	1,358,380	--
Halk Leasing Finansal Kiralama A.Ş.	--	2,271,147	6,119,634	--	--	(7,421,674)
Halk Varlık Kiralama A.Ş.	--	38,806,275	--	--	--	(37,472,420)
	(5,440,630)	47,047,146	6,119,634	40,667,124	1,631,539	(39,668,326)

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 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 2019	1 January - 31 December 2018
Salaries and other short-term benefits	1,963,398	1,434,490
	1,963,398	1,434,490

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 2019	31 December 2018
Trade receivables	11,624,875	9,855,156
Receivables from related parties (Note 4)	3,114	627
Allowance for doubtful receivables (-) (*)	(116,280)	(98,558)
	11,511,709	9,757,225

(\*) Consists of provisions for losses expected within the scope of TFRS 9

Movement of allowance for doubtful receivables	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	(98,558)	(425,027)
Provisions written-off	--	326,469
Charge for the period	(17,722)	--
Closing balance	(116,280)	(98,558)

The short-term trade receivables of the Company arising from the residences sold and leased under the projects developed are as follows;

Short-term trade receivables from sale of residences and rental properties	31 December 2019	31 December 2018
Sale of residences	5,488,061	7,179,362
Eskişehir Panorama Plus project	1,388,928	1,389,173
Bizimtepe Aydos project	2,922,933	3,929,705
Referans Bakırköy project	938,552	831,222
Erzurum Şehristan project	237,648	1,029,262
Rental properties (*)	6,139,928	2,676,421
	11,627,989	9,855,783

\* It consists of trade receivebles secured by guarantee letters of lease receivables.

As of 31 December 2019, the total of overdue trade receivables (notes) is TL 1,408,956 (31 December 2018: TL 4,061,990).

Non-current trade receivables	31 December 2019	31 December 2018
Trade receivables	4,470,954	6,279,174
Allowance for doubtful receivables (-) (*)	(44,710)	(62,792)
	4,426,244	6,216,382

(\*) It consists of provisions for losses expected within the scope of TFRS 9

Long-term trade receivables from sale of residences	31 December 2019	31 December 2018
Sale of residences	4,470,954	6,279,174
Bizimtepe Aydos project	3,082,027	3,501,319
Eskişehir Panorama Plus project	1,388,927	2,777,855
	4,470,954	6,279,174

**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 2019	31 December 2018
Trade payables	2,899,627	15,549,139
Trade payables to related parties (Note 4)	55,804	79,078
	2,955,431	15,628,217

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

## 6 - INVENTORIES

Land stocks	31 December 2018 Cost value	Addition	Disposal	Transfer	31 December 2019 Cost value
Referans Bakırköy Residence Project <sup>(1)</sup>	473,957	--	(159,318)	--	314,639
Panaroma Plus Residence Project <sup>(2)</sup>	4,633,813	--	(2,391,733)	--	2,242,080
Sancaktepe - Residence Projecti <sup>(3)</sup>	69,511,723	--	(12,901,344)	(3,354,932)	53,255,447
Erzurum - Şehristan Project <sup>(4)</sup>	27,714,455	--	(23,671,040)	--	4,043,415
İzmir Project <sup>(5)</sup>	6,601,383	2,273,274	--	(823,775)	8.050,882
<b>Total</b>	<b>108,935,331</b>	<b>2,273,274</b>	<b>(39,123,435)</b>	<b>(4,178,707)</b>	<b>67,906,463</b>

Land stocks	31 December 2017 Cost value	Addition	Disposal	Transfer	31 December 2018 Cost value
Referans Bakırköy Residence Projecti <sup>(1)</sup>	2,739,448	--	(2,265,491)	--	473,957
Panaroma Plus Residence Projecti <sup>(2)</sup>	7,199,079	--	(2,565,266)	--	4,633,813
Sancaktepe - Residence Projecti <sup>(3)</sup>	177,343,489	37,687,215	(145,518,981)	--	69,511,723
Erzurum - Şehristan Project <sup>(4)</sup>	61,669,985	11,236,985	(45,192,515)	--	27,714,455
İzmir Project <sup>(5)</sup>	3,052,403	3,548,980	--	--	6,601,383
<b>Total</b>	<b>252,004,404</b>	<b>52,473,180</b>	<b>(195,542,253)</b>	<b>--</b>	<b>108,935,331</b>

(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 projected land cost of the Company is TL 31,765,625. The company received its first building license on 31 May 2012. There are 254 and 73 commercial units in the Referans Bakırköy project. The Company issued condominium deeds on 29 April 2015. In 2017, the Company realized sharing in-kind and while 27 independent units left to the contractor, 9 independent units remained in the Company. Within the period of 31 December 2019, 1 house sales revenue amounting to TL 808,000 and cost of sales amounting to TL 159,318 recorded (31 December 2018: transfer of 5 deeds, revenue in the amount of TL 1,949,715 and cost of sales relating to these sales amounting to TL 1,060,088. Cost of sales includes taxes, duties and charges). There is no restriction on the land stock.

(2). The Company has obtained a construction license on a land of 13,073 square meters located in Eskişehir, Odunpazarı, Osmangazi Mahallesi, in old parcel no 1452 89, 90 and 110 on 22 April 2013. There are 97 residences and 5 commercial units in the project. The construction servitude and condominium title deeds of 97 residences and 5 commercial units were issued on 30 December 2014 and 2 November 2015, respectively. After the transfer of property deeds of 4 independent units, sales revenue amounting to TL 2,770,000 has been recognized under revenue and TL 2,434, 883 has been recognized as income from residence sales and cost of residences under cost of sales. (31 December 2018: transfer of 4 deeds, revenue in the amount of TL 1,635,000 and cost of sales relating to these sales amounting to TL 1,305,063). Cost of sales includes taxes, duties and charges. There is no restriction on the land stock.

(3) As at 16 October 2014, a land was purchased in Istanbul, Sancaktepe, Samandıra Mahallesi for TL 110,000,000 by Halk GYO-Vakıf GYO Joint Venture 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. The Company issued property

deeds on 8 February 2019. As of 31 December 2019, delivery process of 59 independent units has been completed. Total sales amounting TL 17,629,163 and TL 13,021,013 have been recognized as cost of sales (2018: transfer of 751 independent units, sales income amounting to TL 187,395,433 and cost of sales amounting to TL 148,395,114 have been recognized as income from residence sales and cost of residences).

(4) As at 1 April 2016, a land was purchased in Erzurum, Yakutiye, Gez Mahallesi for TL 17,500,000 by Halk GYO-Er Konut Adi Ortaklığı for real estate development project. A contract was signed with the main contractor company on 31 May 2016. A building license was obtained on 10 May 2016. The Company issued condominium deeds on 30 January 2019. As of 31 December 2019 transfer processes of 207 independent units have been completed. Total sales, TL 33,455,033 and TL 24,167,797 have been recognized as cost of sales. (2018: transfer of 404 independent units, TL 61,944,577 and TL 46,136,315 have been recognized as cost of sales). There is no restriction on the land stock.

(5) As of 24 August 2017, Halk GYO and Teknik Yapı Joint Venture 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. In the scope of the 1st Phase LSRSA contract (Evora İzmir), the building licenses for 451 residences with Lot no. 7700 and Parcel no. 1 were received on 27 September 2018, and the building licences for 321 residences wit Lot no. 7689 and Parcel no. 1 were received on 21 November 2018. The total number of independent units, licences of which are received, is 772. As of 31 December 2019, a preliminary sales contract was signed for 66 independent units. (2018: for 32 independent units, a preliminary sales contract amounting to TL 2,907,678 was signed.)

## 7 - PREPAID EXPENSES AND DEFERRED INCOME

Short-Term Prepaid Expenses	31 December 2019	31 December 2018
Order advances given	9,557,421	15,776,089
Prepaid insurance expenses (Note 4)	421,994	298,429
Other	93,373	349,148
	10,072,788	16,423,666
Long-Term Prepaid Expenses	31 December 2019	31 December 2018
Investment advances given	96,714,586	103,004,623
Other	38,829	48,296
	96,753,415	103,052,919
Investment Advances Given	31 December 2019	31 December 2018
İstanbul Finance Center project	96,709,219	102,981,318
İzmir Evora project	9,557,421	15,776,089
Caddebostan project	5,367	8,210
Erzurum Şehristan project	--	15,095
	106,272,007	118,780,712
Short-Term Deferred Income	31 December 2019	31 December 2018
Deferred residential sale income	11,939,883	10,102,627
Advance rents	1,483,414	13,750
	13,423,297	10,116,377
Deferred Residence Sales Income	31 December 2019	31 December 2018
İzmir Evora project	8,718,935	2,907,678
Bizimtepe Aydos project	2,140,027	5,444,637
İstanbul Salıpazarı building	1,451,400	--
Erzurum Şehristan project	340,389	1,017,775
Bakırköy project	710,592	710,592
Eskişehir Odunpazarı project	61,954	21,945
	13,423,297	10,116,377

## 8 - INVESTMENT PROPERTIES

### Fair value measurement of the Company's investment properties

As of 31 December 2019, the fair value of the Company's investment properties have been determined by Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş. which is an appraisal firm not related to Company. Net Kurumsal Gayrimenkul Değerleme ve Danışmanlık A.Ş is authorized by CMB and has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value of the properties owned is determined according to the sample comparison approach and cost value that reflects the current transaction prices for similar properties.

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 2019 and 31 December 2018 are as follows:

	Fair value as at the reporting date			
	31 December 2019	Level 1 TL	Level 2 TL	Level 3 TL
Lands	32,400,000	--	32,400,000	--
Buildings	1,273,200,000	--	679,780,000	593,420,000
Investment properties under development	1,410,350,000	--	27,100,000	1,383,250,000
	2,715,950,000	--	739,280,000	1,976,670,000

	Fair value as at the reporting date			
	31 December 2018	Level 1 TL	Level 2 TL	Level 3 TL
Lands	7,286,000	--	7,286,000	--
Buildings	1,098,187,635	--	555,224,537	542,963,098
Investment properties under development	1,183,298,775	--	24,303,775	1,158,995,000
	2,288,772,410		586,814,312	1,701,958,098

There were no transfers between Level 1, Level 2 and Level 3 in the current year. 31 December 2019

As of 31 December 2019, the total amount of insurance on investment properties is TL 1,610,135,654 (31 December 2018: TL 1,791,914,981). As of 31 December 2019, the total amount of capitalized finance cost on investment properties is TL 101,342,328 (31 December 2018: TL 41,310,683).



Investment properties	31 December 2018 Fair value	Addition	Transfer	Fair value difference	31 December 2019 Fair value
İstanbul Salıpazarı Land	7,286,000	--	--	914,000	8,200,000
Erzurum Yakutiye Land	--	10,047,000	--	(197,000)	9,850,000
Erzurum Palandöken Lands	--	14,637,000	--	(287,000)	14,350,000
<b>Total lands</b>	<b>7,286,000</b>	<b>24,684,000</b>	<b>--</b>	<b>430,000</b>	<b>32,400,000</b>
İstanbul Karaköy Building	37,825,000	--	--	2,175,000	40,000,000
İstanbul Salıpazarı Building	81,056,000	--	--	3,944,000	85,000,000
İzmir Konak Building -1	28,794,550	--	--	5,105,450	33,900,000
Ankara Kızılay Building	18,714,823	--	--	3,685,177	22,400,000
İstanbul Beyoğlu Building	28,741,669	--	--	4,608,331	33,350,000
İstanbul Beşiktaş Building	21,346,000	--	--	1,404,000	22,750,000
İstanbul Etiler Building	20,526,000	--	--	3,174,000	23,700,000
İstanbul Şişli Building	18,844,404	--	--	1,155,596	20,000,000
İzmir Konak Building -2	16,186,796	--	--	2,063,204	18,250,000
Ankara Başkent Building	12,642,550	--	--	1,357,450	14,000,000
İstanbul Bakırköy Building	25,154,333	--	--	2,595,667	27,750,000
Bursa Building	16,110,000	--	--	1,140,000	17,250,000
Ankara Bahçelievler Building 1	10,770,670	--	--	779,330	11,550,000
Kocaeli Building	13,100,920	--	--	1,399,080	14,500,000
İstanbul Fatih Building	13,475,250	--	--	1,499,750	14,975,000
Sakarya Adapazarı Building	10,979,699	--	--	(1,479,699)	9,500,000
Ankara Bahçelievler Building 2	9,000,000	--	--	(750,000)	8,250,000
İstanbul Ataköy Building	12,954,666	--	--	1,795,334	14,750,000
İstanbul Nişantaşı Building	10,288,500	--	--	1,211,500	11,500,000
Halkbank Finance Tower	228,385,286	473,965	--	84,340,749	313,200,000
Park Dedeman Levent Hotel	246,138,000	--	--	28,862,000	275,000,000
Kocaeli Şekerpınar Block A	137,773,786	--	--	726,214	138,500,000
Kocaeli Şekerpınar Office Project	77,995,312	--	--	16,924,688	94,920,000
Eskişehir B12 Apartment	680,248	--	--	4,752	685,000
Eskişehir B13 Apartment	703,173	--	--	6,827	710,000
Bizimtepe Aydos No.T 1-2-3 BB Nursery	--	--	1,462,550	895,450	2,358,000
Bizimtepe Aydos No.T 17-18-19-20-21-22 BB Market	--	--	799,931	866,569	1,666,500
Bizimtepe Aydos No.T 13 BB Seller of Dried Nuts and Fruits	--	--	103,601	105,899	209,500
Bizimtepe Aydos No.T 16 BB Hairdresser	--	--	106,997	169,003	276,000
Bizimtepe Aydos No.T 26 BB Real Estate Agency	--	--	135,420	190,080	325,500
Bizimtepe Aydos No.T 25 BB Pharmacy	--	--	134,490	188,510	323,000
Bizimtepe Aydos No.T 23-24 BB Real Estate Agency	--	--	323,378	723,122	1,046,500
Bizimtepe Aydos No.T 39-40-41-42-43-44 BB Gift Shop	--	--	288,565	316,435	605,000
<b>Total buildings</b>	<b>1,098,187,635</b>	<b>473,965</b>	<b>3,354,932</b>	<b>171,183,468</b>	<b>1,273,200,000</b>
İstanbul Finance Center Project	1,158,995,000	136,124,525	--	88,130,475	1,383,250,000
İstanbul Caddebostan Building Project	24,303,775	105,170	--	2,691,055	27,100,000
<b>Total investment properties under development</b>	<b>1,183,298,775</b>	<b>136,229,695</b>	<b>--</b>	<b>90,821,530</b>	<b>1,410,350,000</b>
<b>Total</b>	<b>2,288,772,410</b>	<b>161,387,660</b>	<b>3,354,932</b>	<b>262,434,998</b>	<b>2,715,950,000</b>

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
<b>Total lands</b>	<b>--</b>	<b>5,178,343</b>	<b>--</b>	<b>2,107,657</b>	<b>7,286,000</b>
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 B17	--	--	--	--	--
Kocaeli Şekerpınar Office Project	75,832,883	163,896	--	1,998,533	77,995,312
Eskişehir B13 Apartment	--	607,604	--	95,569	703,173
<b>Total buildings</b>	<b>927,752,212</b>	<b>7,002,676</b>	<b>(4.236.600)</b>	<b>167,669,347</b>	<b>1,098,187,635</b>
İstanbul Finance 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
<b>Total investment properties under development</b>	<b>900,632,591</b>	<b>145,562,045</b>	<b>--</b>	<b>137,104,139</b>	<b>1,183,298,775</b>
<b>Total</b>	<b>1,828,384,803</b>	<b>157,743,064</b>	<b>(4.236.600)</b>	<b>306,881,143</b>	<b>2,288,772,410</b>

Investment properties	Acquisition Date	Acquisition Amount	Appraisal Method	Appraisal Date	Appraisal Value	Lessees	Rent Income (2019)	Operating Expenses (2019) (TL)	Rent Income (2018)	Operating Expenses (2018) (TL)
İstanbul Salıpazarı Land	26 January 2018	5,178,343	Comparable sales approach	16 December 2019	8,200,000	--	--	54,094	--	--
Erzurum Yakutiye Land <sup>9</sup>	30 September 2019	10,047,000	Comparable sales approach	24 December 2019	9,850,000	--	--	--	--	--
Erzurum Palandöken Land <sup>8</sup>	5 September 2019	14,637,000	Comparable sales approach	24 December 2019	14,350,000	--	--	--	--	--
<b>Total lands</b>		<b>29,862,343</b>	<b>--</b>		<b>32,400,000</b>			<b>54,094</b>	<b>--</b>	<b>--</b>
Ankara Bahçelievler Building 1	28 October 2010	6,681,356	Comparable sales approach	16 December 2019	11,550,000	Halk Bankası A.Ş.	932,748	74,878	851,296	106,672
Ankara Bahçelievler Building 2	28 October 2010	5,684,746	Comparable sales approach	16 December 2019	8,250,000	İpekyol Giyim Sanayi Pazarlama ve Ticaret A.Ş.	387,000	4,792	--	32,779
Ankara Başkent Building	28 October 2010	9,541,729	Comparable sales approach	25 December 2019	14,000,000	Ceda Akaryakıt İnş. Emlak Tur. Ltd Şti, Halkbank A.Ş.	1,446,061	19,544	1,290,107	64,934
Ankara Kızılay Building	28 October 2010	12,475,237	Comparable sales approach	26 December 2019	22,400,000	Halk Bankası A.Ş.	1,775,067	34,102	1,620,060	90,159
Ataşehir Finans Plaza	12 January 2012	126,548,795	Comparable sales approach	20 December 2019	313,200,000	Halk Bankası A.Ş.	16,785,000	454,945	15,750,000	3,585,024
Bursa Building	28 October 2010	8,500,000	Comparable sales approach	16 December 2019	17,250,000	Halk Bankası A.Ş.	1,235,849	18,496	1,127,929	296,297
Eskişehir B12 Apartment	24 January 2012	680,634	Comparable sales approach	31 December 2019	685,000	Real Person	33,700	2,327	19,250	--
Eskişehir B13 Apartment	24 January 2012	607,604	Comparable sales approach	31 December 2019	710,000	Real Person	33,544	2,490	8,265	--
İstanbul Ataköy Building	28 October 2010	5,061,500	Comparable sales approach	18 December 2019	14,750,000	Halk Bankası A.Ş.	1,034,060	15,979	943,761	39,543
İstanbul Bakırköy Building	28 October 2010	9,023,500	Comparable sales approach	23 December 2019	27,750,000	Halk Bankası A.Ş.	1,842,051	17,264	1,681,194	60,493
İstanbul Beşiktaş Building	27 October 2010	11,893,840	Comparable sales approach	18 December 2019	27,750,000	Halk Bankası A.Ş.	1,674,592	48,477	1,528,358	76,203
İstanbul Beyoğlu Building	28 October 2010	12,000,000	Comparable sales approach	19 December 2019	33,350,000	Halk Bankası A.Ş.	1,436,800	69,370	1,415,812	156,871
İstanbul Etiler Building	27 October 2010	11,000,000	Comparable sales approach	23 December 2019	23,700,000	Halk Bankası A.Ş.	1,306,182	37,456	1,192,120	428,937
İstanbul Fatih Building	28 October 2010	6,380,000	Comparable sales approach	19 December 2019	14,975,000	Halk Bankası A.Ş.	837,296	36,501	764,179	64,477
İstanbul Karaköy Building <sup>13</sup>	2 October 2010	23,500,000	Comparable sales approach	18 December 2019	40,000,000	--	--	59,919	--	170,579
İstanbul Nişantaşı Building	2 October 2010	5,000,000	Comparable sales approach	20 December 2019	11,500,000	Halk Bankası A.Ş.	703,329	9,916	641,911	110,957
İstanbul Salıpazarı Building	28 October 2010	38,050,960	Cost Method	30 December 2019	85,000,000	Sapaz Otelcilik Turizm İnşaat Sanayi Ve Ticaret A.Ş.	5,932,952	281,086	5,622,266	779,182
İstanbul Şişli Building	2 November 2010	11,000,000	Comparable sales approach	18 December 2019	20,000,000	Halk Bankası A.Ş.	1,289,436	37,089	1,176,836	87,642
İzmir Konak Building-1	2 November 2010	13,400,000	Comparable sales approach	19 December 2019	33,900,000	Halk Bankası A.Ş.	1,758,321	96,751	1,604,776	96,604
İzmir Konak Building-2	2 November 2010	10,290,000	Comparable sales approach	25 December 2019	18,250,000	Halk Bankası A.Ş. , Halk Hayat ve Emeklilik A.Ş.	1,190,256	67,290	1,069,923	437,232
Kocaeli Building	28 October 2010	6,519,193	Comparable sales approach	25 December 2019	14,500,000	Halk Bankası A.Ş.	1,172,214	14,603	1,069,851	45,628
Kocaeli Şekerpınar Block A	11 September 2012	67,860,443	Cost Method	26 December 2019	138,500,000	Halk Bankası A.Ş.	7,643,021	309,698	6,677,948	272,817
Kocaeli Şekerpınar Block B2	11 September 2012	39,830,221	Current Building Level	26 December 2019	94,920,000	--	--	405,336	--	358,031
Levent Hotel Project	3 November 2010	91,186,481	Cost Method	27 December 2019	275,000,000	Dedeman Turizm Yönetimi A.Ş.	21,051,851	179,859	14,175,000	1,368,282
Sakarya Adapazarı Building <sup>14</sup>	28 October 2010	5,960,000	Comparable sales approach	26 December 2019	9,500,000	--	--	17,793	769,203	44,047
Bizimtepe Aydos No.T 1-2-3 BB Nursery <sup>3</sup>	10 April 2019	1,462,550	Comparable sales approach	31 December 2019	2,358,000	Yakın Ufuklar Eğitim Kurumları A.Ş.	82,167	1,213	--	--
Bizimtepe Aydos No.T 17-18-19-20-21-22 BB Market <sup>4</sup>	16 April 2019	799,931	Comparable sales approach	31 December 2019	1,666,500	Mopaş Marketçilik Gıda San. ve Tic. A.Ş.	58,450	643	--	--
Bizimtepe Aydos No.T 16 BB Hairdresser <sup>5</sup>	10 June 2019	103,601	Comparable sales approach	31 December 2019	209,500	Real Person	6,300	181	--	--
Bizimtepe Aydos No.T 13 BB Seller of Dried Nuts and Fruits <sup>6</sup>	23 May 2019	106,997	Comparable sales approach	31 December 2019	276,000	Real Person	5,950	182	--	--
Bizimtepe Aydos No.T 26 BB Real Estate Agency <sup>7</sup>	19 September 2019	135,420	Comparable sales approach	31 December 2019	325,500	Akatlı Grup Gayrimenkul İnş San ve Dış Tic Ltd Şti	--	64	--	--
Bizimtepe Aydos No.T 25 BB Pharmacy	1 October 2019	134,490	Comparable sales approach	31 December 2019	323,000	Real Person	2,800	64	--	--
Bizimtepe Aydos No.T 23-24 BB Real Estate Agency	24 October 2019	323,378	Comparable sales approach	31 December 2019	1,046,500	Akatlı Grup Gayrimenkul İnş Sanve Dış Tic Ltd Şti	274	143	--	--
Bizimtepe Aydos No.T 39-40-41-42-43-44 BB Gift Shop	22 November 2019	288,565	Comparable sales approach	31 December 2019	605,000	Real Person	--	99	--	--
<b>Total buildings</b>		<b>542,031,171</b>			<b>1,273,200,000</b>		<b>71,657,271</b>	<b>2,318,550</b>	<b>61,000,045</b>	<b>8,773,390</b>
İstanbul Caddebostan Builising Urban Transformation Project	3 November 2010	6,300,000	Comparable sales approach	31 December 2019	27,100,000	--		--	--	--
İstanbul Finance Center Project	28 October 2010	229,846,920	Cost Method	27 December 2019	1,383,250,000	--		--	--	--
<b>Total investment properties under development</b>		<b>236,146,920</b>			<b>1,410,350,000</b>					
<b>Total</b>		<b>808,040,434</b>			<b>2,715,950,000</b>		<b>71,657,271</b>	<b>2,372,644</b>	<b>61,000,045</b>	<b>8,773,390</b>

- 1 - Ankara Bahçelievler Building 2 lease contract has expired as of 24 May 2017; the building has been leased to İpekyol Giyim San. Paz. ve Tic. A.Ş. as of 1 April 2019.
- 2 - Marketing activities for Kocaeli Şekerpinar Block B are still ongoing.
- 3 - Bizimtepe Aydos T Blok Independent Sections Numbered 01,02,03 (Nursery) were leased to Yakın Ufuklar Eğitim Kurumları A.Ş. on 10.04.2019.
- 4 - Bizimtepe Aydos Trade Block Independent Sections Numbered 17,18,19,20,21,22 (Market) were leased to Mopaş Marketçiliği Gıda San ve Tic A.Ş. on 16.04.2019.
- 5 - Bizimtepe Aydos Trade Block Independent Section Numbered 13 (Coiffeur) was leased to a real person on 23.05.2019.
- 6 - Bizimtepe Aydos Trade Block Independent Section Numbered 16 (Dried fruits and nuts store) was leased to natural person on 10.06.2019.
- 7 - Bizimtepe Aydos Trade Block Independent Section Numbered 26 (Real estate agency) was leased to Akatlı Grup Gayrimenkul İnş.San. ve Dış Tic.Ltd. Şti. on 19.09.2019.
- 8 - Erzurum Palandöken Land was transferred from Er Konut İnş.Taah. İnşaat Mlz. Nakliye ve Mad. Tic.San. A.Ş. to Halk GYO A.Ş. on 05.09.2019.
- 9 - Erzurum Yakutiye Land was transferred from Er Konut İnş.Taah. İnşaat Mlz. Nakliye ve Mad. Tic.San. A.Ş. to Halk GYO A.Ş. on 30.09.2019.
- 10 - Bizimtepe Aydos Trade Block Independent Section Numbered 25 (Pharmacy) was leased to a real person on 01.10.2019.
- 11 - Bizimtepe Aydos Trade Block Independent Sections Numbered 23,24 (Real estate agency) were leased to Akatlı Grup Gayrimenkul İnş. San. ve Dış Tic. Ltd. Şti. on 01.10.2019. 12- Bizimtepe Aydos Trade Block Independent Sections Numbered 39,40,41,42,43,44 (Souvenir shop) were leased to a real person on 22.11.2019.
- 13 - İstanbul Karaköy Building lease contract was expired on 23 October 2017.
- 14 - Sakarya Adapazarı Building lease contract was expired on 31 October 2018.

Operating leases

The Company as lessor

The Company has signed operating leases with Halkbank, Halk Hayat ve Emeklilik, Ceda Akaryakıt Turizm, Sapaz Otelcilik Turizm, Dedeman Turizm, İpekyol Giyim, Yakın Ufaklar Eğitim, Mopaş Marketçilik and 4 real persons. As of 31 December 2019 and 2018 annual minimum lease amounts concerning the remaining lease terms are as follows:

Operating leases	31 December 2019	31 December 2018
Less than one year	58,923,363	59,141,590
Between one and five years	176,148,370	182,540,699
More than five years	164,322,235	215,038,955
	399,393,968	456,721,244

9 - PROPERTY, PLANT AND EQUIPMENT

Cost Value	Furniture and fixture	Leashold improvements	Right-of-use assets (*)	Total
Opening balance as at 1 January 2019	1,855,540	670,527	--	2,526,067
Additions	166,181	2,184,494	2,017,401	4,368,076
Transferler	--	823,775	--	823,775
Disposals	(11,017)	--	--	(11,017)
Closing balance as at 31 December 2019	2,010,704	3,678,796	2,017,401	7,706,901
Accumulated Depreciation				
Opening balance as at 1 January 2019	(1,062,715)	(663,032)	--	(1,725,747)
Charge for the period	(235,779)	(667,091)	(664,185)	(1,567,055)
Disposals	10,500	--	--	10,500
Closing balance as at 31 December 2019	(1,287,994)	(1,330,123)	(664,185)	(3,282,302)
Carrying value as at 31 December 2019	722,710	2,348,673	1,353,216	4,424,599
Cost Value	Furniture and fixture	Leashold improvements	Right-of-use assets (*)	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	(947,106)	(661,362)	--	(1,608,468)
Charge for the period	(151,933)	(1,670)	--	(153,603)
Disposals	36,324	--	--	36,324
Closing balance as at 31 December 2018	(1,062,715)	(663,032)	--	(1,725,747)
Carrying value as at 31 December 2018	792,825	7,495	--	800,320

(\*) Assets arising from operating leases consist of assets that the Company uses within the scope of building and vehicle lease contract.

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

	Useful Life
Furniture and fixture	5 years
Leasehold improvements	3 years
Right-of-use assets	3 years

Depreciation expenses of TL 951,045 (31 December 2018: TL 153,603) have been charged in marketing expenses and TL 616,010 (31 December 2018: None) have been charged in general administrative expenses.

## 10 - INTANGIBLE ASSETS

Cost Value	Other Intangible Assets
Opening balance as at 1 January 2019	1.019.849
Additions	3.883
Closing balance as at 31 December 2019	1.023.732
Accumulated Amortization	
Opening balance as at 1 January 2019	(673.536)
Charge for the period	(44.237)
Closing balance as at 31 December 2019	(717.773)
Carrying value as at 31 December 2019	305.959
Cost Value	Other Intangible Assets
Opening balance as at 1 January 2018	756.715
Additions	263.134
Closing balance as at 31 December 2018	1.019.849
Accumulated Amortization	
Opening balance as at 1 January 2018	(650.997)
Charge for the period	(22.539)
Closing balance as at 31 December 2018	(673.536)
Carrying value as at 31 December 2018	346.313

Amortization expenses of TL 44,237 (31 December 2018: TL 22,539) have been charged in marketing 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 2019 and 31 December 2018, lawsuit details is as follows:

Other short-term provisions	31 December 2019	31 December 2018
Lawsuit provision	2,036	205,335
Other expense provisions	--	81,912
	2,036	287,247
	Provision for legal claims	Total
Balance as of 1 January 2019	205,335	205,335
Reversal of provision	(203,299)	(203,299)
Balance as of 31 December 2019	2,036	2,036
	Provision for legal claims	Total
Balance as of 1 January 2018	108,968	108,968
Additional provisions recognized	96,367	96,367
Balance as of 31 December 2018	205,335	205,335

### b) Collateral, Pledge and Mortgage

As per the decision of the CMB, made in the meeting no. 28/780, dated 9 September 2009, in which the collateral-pledge-mortgages ("CPM") 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 natural entities 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 ongoing 1 tax case on behalf of its own legal entity that is opened by the company and it also has 13 lawsuits against the company comprised of 1 ongoing tax case, 6 consumer cases, 3 cases in enforcement court, 1 negative declaratory action, 2 civil lawsuits and 1 remedial action arising from business law. The Company management does not foresee any cash outflow related to these lawsuits. Therefore, a provision for legal cases was not made in the accompanying financial statements.

There are 7 cases concluded in favor of Halk Gayrimenkul Yatırım Ortaklığı A.Ş. 3 of these cases are tax and 4 of them are consumer cases.

There are 7 lawsuits concluded against the Company. 1 of them is administrative, 1 of which is tax case and 5 of them are consumer cases.



		31 December 2019	31 December 2018
A. CPMs Given for Company's Own Legal Personality		243,141,245	246,161,558
	- Collateral	93,141,245	96,161,558
	- Pledge	--	--
	- Mortgage	150,000,000	150,000,000
B. CPMs Given on Behalf of Fully Consolidated Companies		--	--
	- Collateral	--	--
	- Pledge	--	--
	- Mortgage	--	--
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties (**)		123,314,837	122,908,086
	- Collateral	123,314,837	122,908,086
	- Pledge	--	--
	- Mortgage	--	--
D. Total Amount of Other CPMs		--	--
i. Total Amount of CPMs Given on Behalf of the Parent		--	--
	- Collateral	--	--
	- Pledge	--	--
	- Mortgage	--	--
ii. Total Amount of CPMs Given to on Behalf of Other Group Companies which are not in Scope of B and C		--	--
	- Collateral	--	--
	- Pledge	--	--
	- Mortgage	--	--
iii. Total Amount of CPMs Given on behalf of Third Parties which are not in Scope of C		--	--
	- Collateral	--	--
	- Pledge	--	--
	- Mortgage	--	--
Total		366,456,082	369,069,644

A. CPMs Given for Company's Own Legal Personality	Project	CPM Type	31 December 2019	31 December 2018
Halk Bankası A.Ş.	Halkbank Finance Tower	Mortgage	150,000,000	150,000,000
İller Bankası A.Ş.	İstanbul Finance Center	Letter of guarantee	92,161,474	92,161,474
Real Persons	Referans Bakırköy	Letter of guarantor conveyance	--	2,991,000
Directorate of Execution No. 2,5 and 8	Eskişehir project	Letter of guarantee	124,108	224,624
T.C. İstanbul Metropolitan Municipality	Dedeman Hotel	Letter of guarantee	622,658	551,455
CNV Yapı Mimarlık San. Tic. A.Ş.	Caddebostan project	Collateral bill	219,565	219,565
Sakarya Elektrik Perakende Satış A.Ş	Kocaeli project	Letter of guarantee	13,440	13,440
			243,141,245	246,161,558

#### b) Collateral, Pledge and Mortgage (cont'd)

31 December 2019						
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties	Letter of Guarantee	Letter of Conveyance	Limit of Guarantee	The Company's Share 50%	Sales Under Guarantee	The Company's Share 50%
Halk GYO-Vakıf GYO Joint Venture (*)	45,918,370	--	650,000,000	325,000,000	20,491,733	33,205,052
Halk GYO-Er Konut Joint Venture (**)	--	--	85,000,000	42,500,000	4,607,571	2,303,786
Teknik Yapı-Halk GYO Joint Venture (***)	50,112,000	125,500,000	--	--		87,806,000
Total	96,030,370	125,500,000	735,000,000	367,500,000	25,099,304	123,314,837

(\*) The balance consists of the guarantor fee given to the banks that the Company agreed in consideration of the loan amount when the customers of the pre-sales of residences at Bizimtepe Aydos Project use loans from these banks to buy residences in the scope of the relevant projects.

(\*\*) The balance consists of the guarantor fee given to the banks that the Company agreed in consideration of the loan amount when the customers of the pre-sales of residences at Erzurum Şehristan Project use loans from these banks to buy residences in the scope of the relevant projects.

(\*\*\*) 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 50,112,000 and the letter of conveyance to T.Halk Bankası A.Ş amounting to TL 125,500,000 as at 31 December 2019.

31 December 2018						
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties	Letter of Guarantee	Letter of Conveyance	Limit of Guarantee	The Company's Share 50%	Sales Under Guarantee	The Company's Share 50%
Halk GYO-Vakıf GYO Joint Venture	--	--	722,830,850	361,415,425	45,661,700	22,830,850
Halk GYO-Er Konut Joint Venture	--	--	255,000,000	127,500,000	7,774,472	3,887,236
Teknik Yapı-Halk GYO Joint Venture	66,880,000	125,500,000	--	--	--	96,190,000
Total	66,880,000	125,500,000	977,830,850	488,915,425	53,436,172	122,908,086

The proportion of other CPM given by the Company to the Company's equity is as follows:

	31 December 2019	Equity Rate	31 December 2018	Equity Rate
A. CPMs Given for Company's Own Legal Personality	243,141,245	10.76 %	246,161,558	10.88 %
C. CPMs Given in the Normal Course of Business Activities on Behalf of Third Parties				
Halk GYO-Vakıf GYO Joint Venture (*)	33,205,052	0.65 %	22,830,850	1.01 %
Halk GYO-Er Konut Joint Venture (**)	2,303,786	0.16 %	3,887,236	0.17 %
Teknik Yapı-Halk GYO Joint Venture (***)	87,806,000	3.81 %	96,190,000	4.25 %

As of 31 December 2019 and 2018, Company's guarantee letters and notes received are as follows:

Collateral, Pledge and Mortgage Received	Project	CPM Type	31 December 2019	31 December 2018
YDA İnşaat San. Ve Tic. A.Ş.	İstanbul Finance Center	Letter of guarantee	144,617,238	152,709,440
Buga Otis Asansör San.ve Tic.A.Ş.	İstanbul Finance Center	Letter of guarantee	46,687,212	42,316,560
Dedeman Turizm Yönetimi A.Ş.	Levent Hotel (lessee)	Letter of guarantee	23,003,985	24,112,000
Haldız İnşaat Otomotiv ve Tic. Ltd. Şti.	Bizimtepe Aydos	Letter of guarantee	9,500,000	19,925,000
Sapaz Otelcilik Turizm İnşaat Sanayi Ve Ticaret A.Ş.	İstanbul Salıpazarı (lessee)	Letter of guarantee	9,477,466	9,042,000
Er Konut İnş. Taah. İnşaat Malz. Nak. ve Ma Tic.A.Ş.	Erzurum Şehristan	Letter of guarantee	3,150,000	3,165,095
UCD Yapı A.Ş.	İzmir Evora	Collateral bill	1,830,490	--
Teknik Yapı Proje A.Ş.	İzmir Evora	Collateral bill	720,000	720,000
Entegre Proje Yönetim Dan.Müh.Tic. A.Ş.	İstanbul Finance Center	Letter of guarantee	1,326,617	702,750
Abad Gayrimenkul A.Ş.	İzmir Evora	Collateral bill	701,500	701,500
CNV Yapı Mimarlık San. Tic. Ltd. Şti.	Caddebostan Project	Letter of guarantee	379,775	629,775
İpekyol Giyim Sanayi Pazarlama ve Ticaret A.Ş.	Ankara Bahçelievler (lessee)	Letter of guarantee	304,440	--
Biskon Yapı A.Ş.	Referans Bakırköy	Letter of guarantee	300,000	300,000
YPU Yapı Proje Uygulama Ltd. Şti.	İstanbul Finance Center	Letter of guarantee	240,300	240,300
Ceda Akaryakıt İnşaat Emlak Tur. Tic. Ltd. Şti.	Ankara Başkent (lessee)	Letter of guarantee	200,000	200,000
Direk Reklam İnş. San. Tic. A.Ş.	Sancaktepe Project	Letter of guarantee	30,975	235,410
Other			344,895	304,480
			242,814,893	255,304,310

## 12 - EMPLOYEE BENEFITS

### Short-term provisions for employee benefits

	31 December 2019	31 December 2018
Employee bonus accruals	892,244	773,398
Unused vacation accruals	700,645	489,102
	1,592,889	1,262,500

### Long-term provisions for employee benefits

	31 December 2019	31 December 2018
Retirement pay provision	740,620	529,935
	740,620	529,935

#### Provision for retirement pay liability:

The movements of provision for retirement pay liability in the accounting periods for the years ended with 31 December 2019 and 2018, are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Provision as of 1 January	529,935	318,371
Service cost	179,160	156,218
Interest cost	20,346	14,877
Retirement pay paid	(12,431)	(41,034)
Actuarial loss / gain	23,610	81,503
Provision as of 31 December	740,620	529,935

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 6,379.86 for each period of service at 31 December 2019 (31 December 2018: TL: 5,434.42).

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 2019, 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 4.21% real discount rate (31 December 2018: 3.84%) calculated by using 7% annual inflation rate and 11.50% 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 6,730.76 which is in effect since 1 January 2020 is used in the calculation of Company 's provision for retirement pay liability (1 January 2019: TL 6,017.60).

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 99,891 / TL (82,395). 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 3,867 / TL (3,725).

## 13 - OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2019	31 December 2018
Deferred value added tax (*)	26.337.910	47,606,351
Deposits and guarantees given	233.779	216,207
Business advances given	13.198	16,558
Other	842.402	474,296
	27.427.289	48,313,412

Other Non-Current Assets	31 December 2019	31 December 2018
Deferred value added tax ("VAT") (**)	25.120.626	20,329,000
	25.120.626	20,329,000

(*) Deferred VAT Detail	Project	31 December 2019	31 December 2018
Halk GYO-Vakıf GYO Joint Venture	Bizimtepe Aydos	19.602.752	34,899,955
Halk GYO-Erkonut Joint Venture	Erzurum Şehristan	4.830.515	11,755,517
Halk GYO-Teknik Yapı Joint Venture	İzmir Evora	1,904,643	950,204
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	İFM	25,120,626	20,329,675
		51,458,536	67,935,351

(\*\*) As of 31 December 2019, the VAT balance of Halk GYO amounting to TL 25,120,626 is recognized under other non-current assets since it is long-term (31 December 2018: TL 20,329,000).

Other Current Liabilities	31 December 2019	31 December 2018
Deposits and guarantees received(*)	7,922,896	8,435,393
Progress payments for completed works	--	19,370,104
Taxes and funds payable	464,690	655,861
Other miscellaneous payables and liabilities	480,454	264,737
	8,868,040	28,726,095

(\*) 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 2019 and 2018 the share capital held is as follows:

Shareholders	Group	%	31 December 2019	%	31 December 2018
Halkbank	A	1.58	14,663,070	1.58	13,557,019
Halkbank (*)	B	70.38	653,146,923	70.38	603,879,347
Halk Yatırım Menkul Değerler AŞ	A	0.04	350,189	0.04	323,773
Halk Finansal Kiralama AŞ	A	<0.01	1	<0.01	1
Publicly traded	B	28.00	259,839,817	28.00	240,239,859
Nominal capital		100	928,000,000	100	858,000,000
Total capital			928,000,000		858,000,000

(\*) Halkbank also has 68,341,356 B group shares with 7.36% in the publicly traded held group (31 December 2018: 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 board of director restricts preemptive rights of shareholders, new shares are issued as Group B shares.

The Company has been established 1,500,000,000 shares with registered capital ceiling of TL 1,500,000,000 each with par value of TL 1. The Company's issued capital is 928,000,000 shares amounting to TL 928,000,000. All capital has been committed by the founders; TL 196,217,979 paid in cash, TL 265,500,000 incorporated into capital from reserves and TL 466,282,021 paid in kind (real estates). TL 466,282,021 of the share capital has been paid in kind 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. Increased capital 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 prior years' profit.

As of 5 June 2014, the Company increased its share capital by TL 24,261,296 from prior years' profit.

As of 11 June 2015, the Company increased its share capital to TL 743,000,000 by transferring TL 45,100,000 from prior years' profit to share capital.

As of 25 May 2016, the Company increased its share capital to TL 790,000,000 by transferring TL 47,000,000 from prior years' profit to share capital.

As of 15 August 2017, the Company increased its share capital to TL 820,000,000 by transferring TL 30,000,000 from prior years' profit to 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 of 17 June 2019, the Company increased its share capital to TL 928,000,000 by transferring TL 70,000,000 from prior years' profit to share capital.

#### b) Treasury shares acquired

The Company's treasury shares acquired are accounted for at cost of repurchased shares out of the publicly traded shares. The Company holds 26,162,328 treasury shares as of 31 December 2019 (31 December 2018: 24,188,879 shares). The details of the treasury shares acquired for the year ended 31 December 2019 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 reserves	20 June 2013	314,024	--	--
Bonus shares from incorporating reserves	5 June 2014	683,977	--	--
Bonus shares from incorporating reserves	11 June 2015	1,271,466	--	--
Bonus shares from incorporating reserves	25 May 2016	1,325,030	--	--
Bonus shares from incorporating reserves	17 August 2017	845,764	--	--
Bonus shares from incorporating reserves	8 June 2018	1,071,301	--	--
Bonus shares from incorporating reserves	17 June 2019	1,973,449	--	--
Total repurchased shares		26,162,328		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 own 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 of 31 December 2019, the Company's restricted reserves appropriated from profit are comprised of legal reserves amounting to TL 49,937,018 (31 December 2018: TL 42,011,650).

## 15 - REVENUE AND COST OF SALES

	1 January – 31 December 2019	1 January – 31 December 2018
a) Sales		
Total income on properties	126,274,467	313,924,770
Income from sale of residence (*)	54,617,196	252,924,725
Rental income	71,657,271	61,000,045
Total income on debt instruments	3,704,407	5,234,204
Interest income on deposits	3,704,407	5,234,204
	129,978,874	319,158,974
(*)The Company recognized net sales amounting to TL 54,617,196 for the year ended 31 December 2019 after the committed property was transferred to the customer and the performance obligation guaranteed in the contract is fulfilled when customers had the control of the properties.		
b) Cost of sales		
Cost of sales of residence	39,783,010	210,353,577
Insurance expense	860,697	753,970
Property tax expense	1,017,029	927,789
Participation to maintenance, repair and common expenses	224,962	95,452
Consultancy and support service expenses	202,400	148,171
Taxes and duties	67,557	4,347,427
	42,155,655	216,626,386

## 16 - EXPENSES BY NATURE

	1 January – 31 December 2019	1 January – 31 December 2018
Cost of residence sales	39,783,010	210,353,577
Personnel expenses	10,441,782	8,334,510
Building common expenses	1,542,499	945,050
Depreciation and amortization expenses	1,611,292	176,142
Advertisement expenses	2,491,829	4,181,196
Taxes and duties	657,367	5,111,478
Insurance Expense	860,697	753,970
Outsource servise expenses	144,266	295,084
Property tax expenses	1,017,029	927,789
Maintanance and repair expenses	380,376	229,555
Travel and car expenses	986,503	761,025
Consulting expenses	390,383	439,030
Rent expenses	545,079	767,155
Stationery and IT related expenses	151,627	155,280
Commission expenses	333,267	356,230
Grants and donatiosn	625,000	--
Other	328,629	322,834
	62,290,635	234,109,905



## 17 - ADMINISTRATIVE EXPENSES, MARKETING AND SALES EXPENSES

	1 January – 31 December 2019	1 January – 31 December 2018
General administrative expenses (-)	15,141,458	12,811,718
Marketing and sales expenses (-)	4,993,522	4,671,801
	20,134,980	17,483,519
a) Detail of General Administrative Expenses	1 January – 31 December 2019	1 January – 31 December 2018
Personnel expenses	10,441,782	8,334,510
Depreciation and amortization charges	616,010	176,142
Outsource servise expenses	144,266	295,084
Taxes and duties	430,131	754,285
Advertisement expenses	808,850	1,102,035
Maintanance and repair expenses	155,414	134,103
Travel and car expenses	986,503	761,025
Consulting expenses	390,383	439,030
Stationery and IT related expenses	151,627	155,280
Rent expenses	355,883	599,171
Grants and donations	625,000	--
Other	35,609	61,053
	15,141,458	12,811,718
b) Detail of Marketing Expenses	1 January – 31 December 2019	1 January – 31 December 2018
Common building expenses	1,542,499	945,050
Advertisement expenses	1,682,979	3,079,161
Depreciation and amortization charges	995,282	--
Sample flat furnishing expenses	--	14,477
Taxes and duties	159,679	9,766
Sales office rent expenses	189,196	167,984
Commission expenses (*)	333,267	356,230
Other	90,620	99,133
	4,993,522	4,671,801

(\*) The amount comprises sales commissions paid related to the property projects.

Detail of Personnel Expenses	1 January – 31 December 2019	1 January – 31 December 2018
Wages and salaries	7,329,123	5,880,839
Social Security Instituion employer's shares	1,080,151	858,767
Insurance expenses	584,624	504,194
Board of directors' remunerations	466,944	456,712
Provision expenses for retirement pay and unused vacation	546,768	406,743
Other	434,172	227,255
	10,441,782	8,334,510

## 18 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities:

	1 January – 31 December 2019	1 January – 31 December 2018
Income from foreclosure of letter of guarantees and penalty	934,018	--
Foreign exchange gains from operations	663,112	4,446,995
Incentive and discount refunds from public institutions	162,622	--
Consortium participation refund	--	1,176,495
Income from rescission, withdrawal and sales contract cancellation	52,701	181,575
Provisions released	209,483	360,241
Other income	266,432	151,255
	2,288,368	6,316,561

Other expenses from operating activities:

	1 January – 31 December 2019	1 January – 31 December 2018
Foreign exchange gains from operations	(446,391)	(1,667,403)
Other income	(35,361)	(194,537)
	(481,752)	(1,861,940)

## 19 - FINANCE EXPENSE

	1 January – 31 December 2019	1 January – 31 December 2018
Interest expenses from bank loans	9,250,624	6,849,704
Commission expenses	984,199	661,514
Expenses on finance leases	4,426,436	8,390,781
Short-term commercial paper interest expenses	--	12,785,008
Short-term lease certificate interest expenses	55,699,511	26,021,267
Expenses on operating leases	192,515	--
	70,553,284	54,708,273
Amounts included in the investment properties	(60,031,645)	(39,668,326)
Finance Expense	10,521,639	15,039,947

## 20 - INCOME TAXES

According to the Article 5/1(d) (4) of the Corporate Tax Law numbered 520, 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 2019	1 January – 31 December 2018
The average number of shares during the year (full value)	928,000,000	928,000,000
Net profit of the shareholders	321,408,214	381,344,886
Earnings per share from contiuing or discontinued operations	0.3463	0.4109

## 22 - FINANCIAL INSTRUMENTS

### Financial Liabilities

Financial Borrowings	31 December 2019	31 December 2018
a) Borrowing Instruments	367,171,740	250,839,562
b) Bank Loans	43,068,298	39,705,725
c) Financial Lease Payables (*)	21,549,682	24,078,915
d) Operating Lease Payables	1,617,415	--
	433,407,135	314,624,202

(\*) 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 Office 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 2019	31 December 2018
Short-term lease certificates	367,171,740	250,839,562
	367,171,740	250,839,562

The Company's lease certificate issue is detailed as follows:

Issue date	Maturity date	Rate of return	Nominal value	Amortization date	Amortization amount
19 December 2017	16 March 2018	%13.25	100,000,000	16 March 2018	103,158,384
16 March 2018	20 June 2018	%13.40	100,000,000	20 June 2018	103,528,384
23 March 2018	20 June 2018	%13.40	25,000,000	20 June 2018	25,816,849
20 June 2018	19 September 2018	%17.00	125,000,000	19 September 2018	130,297,945
19 December 2018	19 December 2018	%27.00	128,560,000	19 December 2018	129,614,742
12 October 2018	22 January 2019	%27.50	75,000,000	22 January 2019	80,763,699
19 January 2018	16 April 2019	%23.60	170,000,000	16 April 2019	182,970,150
22 January 2019	21 May 2019	%22.50	80,000,000	21 May 2019	85,868,480
16 April 2019	20 August 2019	%22.75	180,000,000	20 August 2019	194,136,120
21 May 2019	17 September 2019	%23.50	75,000,000	17 September 2019	80,746,200
20 August 2019	17 December 2019	%17.50	205,000,000	17 December 2019	216,696,070
17 September 2019	7 January 2020	%14.90	75,000,000	7 January 2020	--
9 October 2019	10 March 2020	%14.00	100,000,000	10 March 2020	--
17 December 2019	12 May 2020	%10.90	185,000,000	12 May 2020	--

The Company's commercial bill issue is detailed as follows:

Issue date	Maturity date	Rate of return	Nominal value	Amortization date	Amortization amount
6 October 2017	30 March 2018	%14,10	93.668.000	30 March 2018	100.000.000
30 March 2018	19 September 2018	%14,85	74.739.200	19 September 2018	80.000.000
19 September 2018	21 December 2018	%28,50	46.615.000	21 December 2018	50.000.000

### Financial Liabilities (cont'd)

Bank Loans	31 December 2019	31 December 2018
Short-term bank loans	38,612,972	32,277,472
Short-term portion of long term bank loans	3,396,659	3,397,826
Lon-term bank loans	1,058,667	4,030,427
	43,068,298	39,705,725

Interest rates of financial liabilities are as follows:

			31 December 2019	
Financial Instrument	Currency	Nominal interest rate	Short-term	Long-term
Lease certificate	TL	12.62 %	367,171,740	--
Floating rate loans	TL	15.07 %	38,612,972	--
Fixed rate loan	TL	8.00 %	3,396,659	1,058,667
Financial lease agreement	EUR	5.10 %	15,719,844	5,829,838
Operating lease agreement	TL	23.5 %	418,721	966,379
Operating lease agreement	EUR	5.10 %	66,752	165,563
			425,386,688	8,020,447
			31 December 2018	
Financial Instrument	Currency	Nominal interest rate	Short-term	Long-term
Lease certificate	TL	24.84 %	250,839,562	-
Floating rate loans	TL	26.82 %	32,277,472	-
Fixed rate loan	TL	8.00 %	3,397,826	4,030,427
Financial lease agreement	EUR	5.10 %	10,768,287	13,233,249
Financial lease agreement	TL	40.00 %	34,716	42,663
			297,317,863	17,306,339

Maturities of bank borrowings are as follows:

	31 December 2019	31 December 2018
Less than 1 year	425,386,688	297,317,863
Between 1-2 years	5,937,754	13,992,333
Between 2-3 years	2,082,693	3,314,006
	433,407,135	314,624,202

## 23 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

### a) Capital risk management

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

The Company's board of directors reviews the capital structure of the Company 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 board, 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.

	31 December 2019	31 December 2018
Financial Liabilities	433,407,135	314,624,202
Less: Cash and Cash Equivalents	(74,285,277)	(28,825,032)
Net Debt	359,121,858	285,799,170
Total Shareholders Equity	2,578,219,682	2,261,618,820
Total Share Capital	928,000,000	858,000,000
Gearing Ratio	39 %	33 %

### b) Financial Risk Factors

The Company's activities expose it to market risk (currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity 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

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 2019, the Company's strategy has not been change from 2018. As of 31 December 2019 and 2018, 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:

### b.1) Credit risk management

Details of credit risk by class of financial instruments

	Receivables				
	Trade Receivables		Other Receivables		
31 December 2019	Related Parties	Other	Related Parties	Other	Deposits at Banks
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	3,114	15,934,839	--	--	74,285,277
- Secured portion of the maximum credit risk by guarantees (**)	--	6,139,928	--	--	--
A. Net book value of financial assets that are neither past due nor impaired	3,114	15,934,839	--	--	74,285,277
B. Net book value of financial assets that are past due but not impaired	--	1,408,956	--	--	--
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.

	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) (*)	627	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	627	15,972,980	--	--	28,825,032
B. Net book value of financial assets that are past due but not impaired	--	4,061,990	--	--	--
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. The Company aims 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:

Contractual terms	Carrying Value	Total contractual cash outflows (I+II+III)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
Non-derivative financials liabilities					
Bank loans	43,068,298	43,386,360	39,507,983	2,685,031	1,193,346
Debt securities issued	367,171,740	377,418,530	184,297,400	193,121,130	--
Financial lease liabilities	21,549,682	22,477,343	3,873,327	11,619,981	6,984,035
Long-term liabilities from operating lease	1,617,415	2,076,075	346,182	853,301	876,592
Trade payables	2,955,431	2,955,431	2,955,431	--	--
Other liabilities	9,355,991	945,144	945,144	--	--
Total liabilities	945,144	449,258,883	231,925,467	208,279,443	9,053,973
Contractual terms	Carrying Value	Total contractual cash outflows (I+II+III)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
Non-derivative financials 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	28,726,095	28,726,095	28,726,095	--	--
Total liabilities	358,978,514	374,014,463	161,208,752	194,411,454	18,394,257



### b.3) Market risk management

During the current period, any change to either exposed risks or management and measurement methods of these risks, was not happened compared to the prior year.

#### 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 2019		
	TL Amount	US Dollar	Euro
1. Trade Receivables	--	--	--
2a. Monetary Finacial Assets	938,552	158,000	--
2b. Non-monetary Financial Assets	--	--	--
3. Other	--	--	--
<b>4. CURRENT ASSETS</b>	<b>938,552</b>	<b>158,000</b>	<b>--</b>
5. Trade Receivables	2,581	--	388
6a. Monetary Finacial Assets	--	--	--
6b. Non-monetary Financial Assets	--	--	--
7. Other	--	--	--
<b>8. NON-CURRENT ASSETS</b>	<b>2,581</b>	<b>--</b>	<b>388</b>
<b>9. TOTAL ASSETS</b>	<b>941,133</b>	<b>158,000</b>	<b>388</b>
10. Trade Payable	802	135	--
11. Financial Liabilities	15,276,116	--	2,296,953
12a. Monetary Other Liabilities	--	--	--
12b. Non-Monetary Other Liabilities	--	--	--
<b>13. CURRENT LIABILITIES</b>	<b>15,276,918</b>	<b>135</b>	<b>2,296,953</b>
14. Trade Payable	--	--	--
15. Financial Liabilities	6,505,883	--	978,240
16a. Monetary Other Liabilities	--	--	--
16b. Non-Monetary Other Liabilities	--	--	--
<b>17. NON-CURRENT LIABILITIES</b>	<b>6,505,883</b>	<b>--</b>	<b>978,240</b>
<b>18. TOTAL LIABILITIES</b>	<b>21,782,800</b>	<b>135</b>	<b>3,275,193</b>
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	--	--	--
19.a Derivative Financial Assets	--	--	--
19.b Derivative Financial Liabilities	--	--	--
20. Net Foreign Currency Assets/Liabilities Position	(20,841,668)	157,865	(3,274,805)
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-12a-14-15-16a)	(20,841,668)	157,865	(3,274,805)

	31 December 2018		
	TL Amount	US Dollar	Euro
1. Trade Receivables	--	--	--
2a. Monetary Finacial Assets	3,000,971	158,000	359,945
2b. Non-monetary Financial Assets	--	--	--
3. Other	--	--	--
<b>4. CURRENT ASSETS</b>	<b>3,000,971</b>	<b>158,000</b>	<b>359,945</b>
5. Trade Receivables	--	--	--
6a.Monetary Finacial Assets	--	--	--
6b. Non-monetary Financial Assets	--	--	--
7. Other	--	--	--
<b>8. NON-CURRENT ASSETS</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. TOTAL ASSETS</b>	<b>3,000,971</b>	<b>158,000</b>	<b>359,945</b>
10. Trade Payable	--	--	--
11. Financial Liabilities	10,803,003	--	1,792,137
12a. Monetary Other Liabilities	--	--	--
12b. Non-Monetary Other Liabilities	--	--	--
<b>13. CURRENT LIABILITIES</b>	<b>10,803,003</b>	<b>--</b>	<b>1,792,137</b>
14. Trade Payable	53,264	10,124	--
15. Financial Liabilities	13,196,350	--	2,189,176
16a. Monetary Other Liabilities	--	--	--
16b. Non-Monetary Other Liabilities	--	--	--
<b>17. NON-CURRENT LIABILITIES</b>	<b>13,249,614</b>	<b>10,124</b>	<b>2,189,176</b>
<b>18. TOTAL LIABILITIES</b>	<b>24,052,617</b>	<b>10,124</b>	<b>3,981,313</b>
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	--	--	--
19.a Derivative Financial Assets	--	--	--
19b. Derivative Financial Liabilities	--	--	--
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-10-12a-14-15-16a)	(21,882,868)	147,876	(3,621,368)

### Foreign currency sensitivity analysis

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

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 2019			
	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation foreign currency	Appreciation of foreign currency	Depreciation foreign currency
In case of US Dollar increases in 10% against TL				
1 - US Dollar net asset/liability	93,775	(93,775)	93,775	(93,775)
2 - US Dollar hedges (-)	--	--	--	--
3 - Net effect of US Dollar (1 +2)	93,775	(93,775)	93,775	(93,775)
In case of Euro increases in 10% against TL				
4 - Euro net asset/liability	(2,177,942)	2,177,942	(2,177,942)	2,177,942
5 - Euro hedges (-)	--	--	--	--
6 - Net effect of Euro (4+5)	(2,177,942)	2,177,942	(2,177,942)	2,177,942
	(2,084,167)	2,084,167	(2,084,167)	2,084,167

	31 December 2018			
	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation foreign currency	Appreciation of foreign currency	Depreciation foreign currency
In case of US Dollar increases in 10% against TL				
1 - US Dollar net asset/liability	77,796	(77,796)	77,796	(77,796)
2 - US Dollar hedges (-)	--	--	--	--
3 - Net effect of US Dollar (1 +2)	77,796	(77,796)	77,796	(77,796)
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
	(2,188,286)	2,188,286	(2,188,286)	2,188,286

#### 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 2019	31 December 2018
Fixed Interest Rate Instruments		
Financial Liabilities	394,794,163	282,346,730
Variable Interest Rate Instruments		
Financial Liabilities	38,612,972	32,277,472

## 24 - FINANCIAL INSTRUMENTS

### (FAIR VALUE DISCLOSURES)

31 December 2019	Loans and receivables (including cash and cash equivalents)	Financial liabilities at amortized cost	Carrying value	Note
<b>Financial assets</b>				
Cash and cash equivalents	74,285,277	--	74,285,277	26
Trade receivables	15,937,953	--	15,937,953	5
<b>Financial liabilities</b>				
Borrowings	--	433,407,135	433,407,135	22
Trade payables	--	2,899,627	2,899,627	5
Due to related parties	--	55,804	55,804	4
Other financial liabilities	--	945,144	945,144	13
31 December 2018	Loans and receivables (including cash and cash equivalents)	Financial liabilities at amortized cost	Carrying value	Note
<b>Financial assets</b>				
Cash and cash equivalents	28,825,032	--	28,825,032	26
Trade receivables	15,973,607	--	15,973,607	5
<b>Financial liabilities</b>				
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 financial liabilities	--	28,726,095	28,726,095	13

(\*) The Company management considers the carrying amounts of financial assets 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

On 7 January 2020, the Company borrowed with a lease certificate at the nominal amount of TL 75,000,000 with rate of return of 10.40% and expiry date of 2 June 2020.

## 26 - NOTES ON STATEMENT OF CASH FLOWS

	31 December 2019	31 December 2018
Cash at banks	74.286.168	28.814.246
- Demand deposits (*)	724.840	691.954
- Time deposits with maturity less than 3 months	73.561.328	28.122.292
Expected credit loss (-)	(891)	(346)
Other liquid assets (**)	--	11.132
Cash and cash equivalents in the statement of financial position	74.285.277	28.825.032
Less: Interest income accruals on cash equivalents	(84.178)	(223.504)
Cash and cash equivalents in the statement of cash flows	74.201.099	28.601.528

(\*) As of 31 December 2019 and 2018, there is blocked amount for salary payments to personnel from demand deposit amounts.

(\*\*)As of 31 December 2018, other liquid assets of the Company consist of credit card receivables from sales of residential units of Bizimtepe Aydos and Erzurum Şehrستان Projects.

As of 31 December 2019 and 2018, the details of time deposits at banks are as follows:

31 December 2019	Amount	Interest rate	Maturity
Time deposits			
TL	73,343,707	10.75 %	5.02.2020
TL	128,113	10.24 %	2.01.2020
TL	7,501	9.50 %	2.01.2020
TL	82,007	10.49 %	2.01.2020
	73,561,328		
31 December 2018			
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	20,000,000	23.25 %	22.01.2019
TL	5,360,987	22.00 %	30.01.2019
EUR	2,169,673	3.75 %	2.01.2019
	28,122,292		

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

## 27 - DISCLOSURE OF OTHER MATTERS THAT MAY AFFECT FINANCIAL STATEMENTS SIGNIFICANTLY OR IS NECESSARY FOR FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND COMPREHENSIBLE

An indictment was filed against the Parent Bank on 15 October 2019 by the New York Southern District Attorney General of the United States Department of Justice, which repeated the allegations made in the case against the former executive of the Parent Bank for violation of Iranian sanctions.

The Parent Bank sought leave the New York Southern District Court ("District Court") to make a "special appearance" in a proceeding to challenge the court's jurisdiction and rejection of the judge of the case. The District Court has denied that request. The Parent Bank appealed to the US Second Circuit Court of Appeals ("Court of Appeals") for mandamus regarding the District Court deciding to allow the respective special appearance.

The District Court was requested to suspend the hearings upon the District Court's requisition to continue the general hearings regarding the case. The District Court also denied that request. The Parent Bank also applied to the Court of Appeals for a mandamus for the approval of denied suspension request.

The Court of Appeals's appeal committee consisting of 3 judges granted a temporary stay on the District Court litigation until the resolution of the mandamus petition.

The appeal process for the suspension of the hearings before the Court of Appeals and the order of a high court for a special appearance is still ongoing.

The prosecution process is closely monitored by the Parent Bank through specialized US law firms.

The appeal process of the case which resulted in conviction for the defendant former executive of the Parent Bank, who was released on 19 July 2019 and returned back to Turkey, is ongoing.

The Parent 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 Parent 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 Parent Bank will continue to adopt the same policies of transparency and compliance with international regulations.

The Parent Bank placed a high importance on this matter and established a separate "Compliance Department".

## 28. RESTATEMENT OF THE PRIOR PERIOD FINANCIAL STATEMENTS

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation in the current period financial statements, and material differences are disclosed.

Significant adjustments:

In the current period, the Company has reviewed the items of inventories, other liabilities and cost of sales in its financial statements based on costs incurred later regarding the completed project.

	Previously Reported 31 December 2018	Adjustments	Restated 31 December 2018
Inventories	103,021,423	5,913,908	108,935,331
Total adjustments asset	--	5,913,908	--
Other short-term liabilities	9,355,991	19,370,104	28,726,095
Profit for the period	394,801,082	(13,456,196)	381,344,886
Total adjustments liability	--	5,913,908	--

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

The information contained herein, is summary information derived from the financial statements according to Article 16 “Communiqué on Financial Reporting in Capital Market” Serial: II, No: 14.1 of the CMB and prepared for purposes of the controlling the compliance with portfolio limitations as set out in the CMB’s Serial: III No: 48.1 communiqué, “Communiqué on Principles Regarding Real Estate Investment Trusts”, published in the Official Gazette numbered 28660 dated 28 May 2013.

As of 31 December 2019, the Company complied with the restrictions that stated on 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.

Financial statement primary account items		Regulations		31 December 2019 (TL)	31 December 2018 (TL)	
A	Money and capital market instruments	Serial: III-48.1, Article 24/(b)		74,285,277	28,825,032	
B	Real estates, based on real estates, rights based on real estates	Serial: III-48.1, Article 24/(a)		2,783,856,463	2,397,707,741	
C	Subsidiaries	Serial: III-48.1, Article 24/(b)		--	--	
	Due from related parties (non-trade)	Serial: III-48.1, Article 23/(f)		--	--	
	Other assets			181,067,390	206,260,620	
D	Total Assets	Serial: III-48.1, Article 3/(k)		3,039,209,130	2,632,793,393	
E	Loans and borrowings	Serial: III-48.1, Article 31		410,240,038	290,545,287	
F	Other financial liabilities	Serial: III-48.1, Article 31		--	--	
G	Financial leasing obligations	Serial: III-48.1, Article 31		23,167,097	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		2,578,219,682	2,261,618,820	
	Other liabilities			27,582,313	56,550,371	
D	Total liabilities and equity	Serial: III-48.1, Article 3/(k)		3,039,209,130	2,632,793,393	
	Other financial information	Regulations		31 December 2019 (TL)	31 December 2018 (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)		74,286,168	28,814,246	
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		216,456,082	219,069,644	
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 December 2019 (TL)	31 December 2018 (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, based on real estates projects, rights for real estates	Serial: III-48.1, Article 24/(a),(b)	(B+A1)/D	Minimum 51 %	91.6%	91.07%
3	Money and capital market instruments and associates	Serial: III-48.1, Article 24/(b)	(A+C-A1)/D	Maximum 49 %	2.44%	1.09%
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)/İ	Maximum 500 %	25.21%	23.6%
8	Time Deposit/ Demand Deposit/ TL / Foreign Currency	Serial: III-48.1, Article 24/(b)	(A2-A1)/D	Maximum 10 %	2.44%	1.09%
9	Total investments of money and capital market instruments at one company	Serial: III-48.1, Article 22/(e)	L/D	Maximum 10 %	--	--







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