

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)



**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.

Report on the Financial Statements

1. We have audited the accompanying financial statements of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2016 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 notes.

Management's Responsibility for the Financial Statements

2. The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Turkish Accounting Standards ("TAS") 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.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Independent Auditing Standards that is part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with TAS.

Other Matter

5. As stated in Note 3 to the financial statements, total revenue of the Company is from transactions with related parties.

Reports on Other Responsibilities Arising From Regulatory Requirements

6. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 16 February 2017.
7. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 is not in compliance with the TCC and provisions of the Company's articles of association in relation to financial reporting.
8. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Pwc Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Engin Çubukçu, SMMM
Partner

Istanbul, 16 February 2017

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS
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VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

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**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2016
AND 2015 (BALANCE SHEET)**

(Amounts expressed as Turkish Lira ("TRY") unless otherwise stated.)

	Notes	Audited 31 December 2016	Audited 31 December 2015
ASSETS			
CURRENT ASSETS		211,083,073	255,759,419
Cash and cash equivalents	4	100,586,329	241,392,716
Financial investments	3, 5	87,633,713	-
Trade receivables	6	10,902,192	6,359,668
- <i>Trade receivables from third parties</i>	6	10,902,192	6,359,668
Other receivables	7	7,678,666	3,078,475
- <i>Other receivables from related parties</i>	3,7	4,864	9,500
- <i>Other receivables from third parties</i>	7	7,673,802	3,068,975
Prepaid expenses	8	78,812	63,818
Current income tax assets	9	4,203,361	4,475,775
Other current assets	9	-	388,967
NON-CURRENT ASSETS		818,220,597	601,148,102
Trade receivables	6	29,062,160	3,639,409
- <i>Trade receivables from third parties</i>	6	29,062,160	3,639,409
Other receivables	7	3,464,744	8,440
- <i>Other receivables from third parties</i>	7	3,464,744	8,440
Inventories	11	136,193,496	65,381,916
Tangible assets	12	646,899	791,728
Intangible assets	13	31,259	13,201
- <i>Other intangible assets</i>	13	31,259	13,201
Investment properties	10	608,971,758	514,245,000
Prepaid expenses	8	9,529,353	6,449,902
Other non-current assets	9	30,320,928	10,618,506
TOTAL ASSETS		1,029,303,670	856,907,521
LIABILITIES			
CURRENT LIABILITIES		6,953,069	1,274,316
Short term portion of long term financial liabilities	14	-	108,713
- <i>Financial liabilities to related parties</i>	3,14	-	108,713
- <i>Financial liabilities from financial leasing</i>	3,14	-	108,713
Trade payables	6	1,104,267	208,525
- <i>Trade payables to related parties</i>	3,6	-	724
- <i>Trade payables to third parties</i>	6	1,104,267	207,801
Other payables	7	2,379,711	189,604
- <i>Other payables to related parties</i>	3,7	13,179	-
- <i>Other payables to third parties</i>	7	2,366,532	189,604
Short term provisions	16	309,949	253,560
- <i>Short term provisions for employee benefits</i>	16	309,949	253,560
Other current liabilities	17	3,159,142	513,914
NON-CURRENT LIABILITIES		157,367,789	33,076,402
Other liabilities	7	7,715	-
- <i>Other liabilities to third parties</i>	7	7,715	-
Long term provisions	16	188,558	136,863
- <i>Long term provisions for employee benefits</i>	16	188,558	136,863
Deferred income	17	157,171,516	32,939,539
EQUITY		864,982,812	822,556,803
Paid in capital	18	213,000,000	205,400,000
Adjustment to share capital	18	21,599,008	21,599,008
Share premiums	18	246,731,349	246,731,349
Other comprehensive income to not be reclassified			
to profit or loss	18	19,872	18,688
- <i>Revaluation and remeasurement</i>	18	19,872	18,688
- <i>Remeasurement of employee benefits</i>	18	19,872	18,688
Restricted reserves		6,389,742	4,709,369
Retained earnings		334,818,016	269,954,662
Net profit for the year		42,424,825	74,143,727
TOTAL LIABILITIES		1,029,303,670	856,907,521

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS OF 31 DECEMBER 2016 AND 2015**

(Amounts expressed as Turkish Lira ("TRY") unless otherwise stated.)

	Note	Audited 1 January- 31 December 2016	Audited 1 January- 31 December 2015
Profit/loss			
Revenue	19	3,094,415	2,950,927
Cost of sales (-)	19	(799,181)	(1,002,889)
Gross Profit		2,295,234	1,948,038
General administrative expenses (-)	20	(11,112,193)	(4,705,745)
Marketing expenses (-)	20	(4,651,090)	-
Other operating income	21	27,124,159	45,834,749
Operating Income		13,656,110	43,077,042
Income from investing activities	23	1,243,827	1,494,301
Expense from investing activities (-)	23	-	(142)
Operating Profit Before Financial Expenses		14,899,937	44,571,201
Financial income	24	27,836,262	29,782,187
Financial expenses (-)	24	(311,374)	(209,661)
Profit Before Tax		42,424,825	74,143,727
Current tax income/ (expense)	25	-	-
Net Profit For the Period		42,424,825	74,143,727
OTHER COMPREHENSIVE INCOME		1,184	9,058
Other comprehensive income to not be reclassified to profit or loss			
- Remeasurement of employee benefits		1,184	9,058
TOTAL COMPREHENSIVE INCOME		42,426,009	74,152,785
Earnings per share	26	0.1992	0.3481
Diluted earnings per share	26	0.1992	0.3481

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed as Turkish Lira (“TRY”) unless otherwise stated.)

	Paid-in capital	Adjustment to share capital	Share premium	Remeasurement of employee benefits	Restricted reserves	Retained Earnings		Total equity
						Retained earnings	Net profit for the year	
Balance as of 1 January 2015	203,319,794	21,599,008	246,731,349	9,630	3,638,821	215,574,104	57,531,312	748,404,018
Capital increase	2,080,206	-	-	-	-	(2,080,206)	-	-
Transfers	-	-	-	-	1,070,548	56,460,764	(57,531,312)	-
Total comprehensive income	-	-	-	9,058	-	-	74,143,727	74,152,785
Balance as of 31 December 2015	205,400,000	21,599,008	246,731,349	18,688	4,709,369	269,954,662	74,143,727	822,556,803
Balance as of 1 January 2016	205,400,000	21,599,008	246,731,349	18,688	4,709,369	269,954,662	74,143,727	822,556,803
Capital increase	7,600,000	-	-	-	-	(7,600,000)	-	-
Transfers	-	-	-	-	1,680,373	72,463,354	(74,143,727)	-
Total comprehensive income	-	-	-	1,184	-	-	42,424,825	42,426,009
Balance as of 31 December 2016	213,000,000	21,599,008	246,731,349	19,872	6,389,742	334,818,016	42,424,825	864,982,812

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2016
AND 2015**

(Amounts expressed as Turkish Lira ("TRY") unless otherwise stated)

	Notes	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
A. Cash flows from operating activities:		(14,301,523)	3,630,508
Net profit for the year		42,424,825	74,143,727
Adjustments to reconcile profit to cash provided by operating activities:			
Depreciation and amortisation	12, 13	174,186	168,566
Adjustments related to reconcile or loss	23	-	142
Adjustments related to provisions		33,081	33,113
Adjustments related to interest income and expenses		(29,014,650)	(29,729,473)
Fair value gain on investment properties		(26,977,287)	(45,717,315)
<i>Fair value loss / (gain) on investment properties</i>		(26,977,287)	(45,717,315)
Gain on sale of investments properties		-	(199,704)
<i>Gain on sale of investments properties</i>			(199,704)
Net working capital changes in		(941,678)	4,931,452
Adjustments related to increase in other receivables		(8,056,495)	(3,069,995)
Increase in prepaid expenses		(3,094,445)	(6,463,118)
Increase in inventories		(70,811,580)	(9,273,179)
Adjustments related to increase in other working capital		107,892,553	33,387,499
Increase in trade payable		895,742	159,718
Increase in trade receivable		(29,965,275)	(9,999,077)
Increase in other payables from operating activities		2,197,822	189,604
Cash (used in)/provided from operations		(14,301,523)	3,630,508
B. Cash Flows from Investing Activities		(154,229,502)	(73,017,286)
Cash outflow from acquisition of tangible and intangible assets	12, 13	(47,415)	(49,713)
<i>Cash outflow from acquisition of tangible assets</i>	12	(20,078)	(38,413)
<i>Cash outflow from acquisition of intangible assets</i>	13	(27,337)	(11,300)
Cash inflow from sale of financial investments		-	30,170,288
Cash outflow from acquisition of financial investments		(86,932,616)	-
Interest received		500,000	1,271,222
Cash outflow from acquisition of investments properties		(67,749,471)	(123,409,083)
Cash inflow from sale of investments properties		-	19,000,000
C. Cash flows from financing activities		27,908,139	29,160,086
Repayment of financial liabilities		(108,048)	(613,514)
Cash outflow from borrowings		(1,500,000)	-
Interest received		28,019,763	29,785,791
Cash inflow from borrowings		1,500,000	-
Interest paid		(3,576)	(12,191)
Change in cash and cash equivalents		(140,622,886)	(40,226,692)
Cash and cash equivalents at the beginning of the period	4	240,545,596	280,772,288
Cash and cash equivalents at the end of the period	4	99,922,710	240,545,596

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
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VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(Amounts expressed as Turkish Lira (“TRY”) unless otherwise stated.)

1. COMPANY’S ORGANISATION AND NATURE OF OPERATIONS

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. (“Vakıf GYO” or “Company”) has been incorporated in accordance with Capital Market Law on 12 January 1996.

The Company’s main scope of operation is to engage in written objectives and subjects stipulated in the Communiqué on real estate investment companies published by the Capital Markets Board of Turkey (“CMB”) such as investing in real estate, capital market instruments based on real estate, real estate projects and capital market instruments.

Basis of operations of the Company are consistent with the regulatory requirements of CMB on the Principles of Real Estate Investment Trusts.

The address of the Company is as follows:

Şerifali Mah. Bayraktar Bulvarı No: 62 Ümraniye İstanbul / Turkey.

According to Central Securities Depository of Turkey, the shareholders structure of the Company is as follows as of 31 December 2016 and 31 December 2015:

	31 December 2016		31 December 2015	
	Share rate (%)	Share amount	Share rate (%)	Share amount
T.Vakıflar Bankası Türk Anonim Ortaklığı (“Vakıfbank”)	38.70	82,436,350	38.70	79,494,948
T.C. Başbakanlık Toplu Konut İdaresi Bşk. (“TOKİ”)	14.63	31,151,757	14.63	30,040,237
Vakıfbank Personeli Özel Sosyal Güv. Hiz.Vakfı (“Vakıf”)	9.60	20,449,307	9.60	19,719,659
Vakıfbank Memur ve Hizmetleri Emekli Sandığı	8.88	18,910,736	8.88	18,235,986
Other	28.19	60,051,850	28.19	57,909,170
Total	100	213,000,000	100	205,400,000

The Company shares are issued into two type of Groups; Group A and Group B. The Group A shares have 15 right to vote, Group B shares have 1 right to vote for election of Board of Directors.

As of 31 December 2016, The Company’s paid in capital is TRY500,000,000. (31 December 2015: TRY500,000,000). As of 31 December 2016, the number of employees of Company is 18 (31 December 2015:18).

The ultimate parent and ultimate controlling party of the Company is Vakıfbank.

The financial statement of the Company is approved on 16 February 2017 by Board of Directors as of 31 December 2016. The General Assembly has the power to amend the financial statements after issue.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH**

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(Amounts expressed as Turkish Lira (“TRY”) unless otherwise stated.)

1 COMPANY’S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Joint Venture

A jointly controlled entity exists when an agreement's parties, who have joint control over the agreement, have the right to relevant assets and liabilities on relevant debts. A joint venture is assessed according to the assets, liabilities, revenue, and cost it owns. Assets, liabilities, equity items, income and expense accounts, and cash flow movements related to jointly controlled entities are included in the financial statements through the proportional consolidation method. Intra-group transactions performed with such jointly controlled entities, relevant balances, and unrealised profit/losses are eliminated from the financial statements.

Joint Venture	Nature of the business	Entrepreneur partner
Halk GYO-Vakıf GYO Adi Ortaklığı (“Halk-Vakıf”)	Real estate project	Halk GYO A.Ş.
Vakıf GYO-Obaköy Adi Ortaklığı (“Halk-Vakıf”)	Real estate project	Obaköy Gıda İşletmecilik Pazarlama Güvenlik Temizlik Ticaret ve Sanayi A.Ş.

Halk - Vakıf

Halk-Vakıf has been incorporated as an ordinary partnership with a joint venture agreement on 29 August 2014 and started to operate on 16 October 2014 with 50% shares and 50% voting right, with a total capital of TRY100,000. The subject of the joint venture is to conduct construction and sales of the housing development project in Sancaktepe in İstanbul. The Company purchased a 95,221.84 m² piece of land in Istanbul's Sancaktepe district for TRY110,000,000 + VAT, 50% of which will be paid by Vakıf GYO and 50% of which will be paid by Halk GYO.

Vakıf - Obaköy

Vakıf-Obaköy has been incorporated as an ordinary partnership with a joint venture agreement on 29 April 2016 and started to operate on 29 April 2016 with 50% shares and 50% voting right, with a total capital of TRY100,000. The subject of the joint venture is to conduct construction and sales of the housing development project in Maltepe in İstanbul. The Company purchased a 15,264 m² piece of land in Istanbul's Maltepe district for TRY66,971,250, 50% of which will be paid by Vakıf GYO and 50% of which will be paid by Obaköy.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(Amounts expressed as Turkish Lira (“TRY”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

a Financial statements of preparation

The Company maintains their books of account and prepares their statutory financial statements (“Statutory Financial Statements”) in TRY in accordance with the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance, accounting principles issued by the TMS/IFRS for listed companies. This financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TMS/IFRS Financial Reporting Standards.

b Declaration of conformity to TAS

The financial statements of the Company have been prepared in accordance with the communiqué numbered II-14,1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) (hereinafter will be referred to as “the CMB Accounting Standards”) on 13 June 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Accounting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards (“TAS/IFRS”) and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority (“POA”).

c Adjustment of financial statements in periods of high inflation

Inflation accounting application is terminated for the companies operating in Turkey and preparing their financial statements in accordance with the provisions of the CMB according to the decision taken by CMB dated on 17 March 2005 and numbered 11/367, to be effective from 1 January 2005. Accordingly, "Financial Reporting in Hyperinflationary Economies" Standard ("TAS 29") published by the Public Oversight Agency, did not apply as from 1 January 2005.

d Functional and presentation currency

Items included in the financial statements of each of the Company’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Company’s functional and presentation currency is TRY.

e Joint Ventures

Joint Ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Company and one or more other parties. The Company exercises such joint control through the power to exercise voting rights relating to shares in the companies as a result of ownership interest directly and indirectly by itself.

The details of the joint ventures of the Company are explained in Note 1 as of 31 December 2016. The Company consolidated its joint venture by using proportional consolidation method.

f Going concern

The Company's financial statements are prepared under the going concern assumption.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(Amounts expressed as Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2. *Changes and mistakes in accounting policies and accounting forecasts*

If the rearrangement ensures that the entity's financial status, performance, or the impacts of the operations and events on the cash flows are presented in a more appropriate and reliable manner, the major changes in accounting policies and major accounting mistakes are applied retrospectively and the previous period's financial statements are restated. Within the current year, the company's accounting forecasts did not change.

2.3. *Turkish Financial Reporting Standards Change and Comparative Information and Reclassifications in the Previous Period's Financial Statements*

2.3.1 *Changes in Turkish Financial Reporting Standards*

Company has been performed reviews in the current period which is issued by Turkey Accounting Standards Board (TASB) and TASB Turkey Financial Reporting Interpretations Committee (TFRIC) and is valid for the period of the year beginning on 31 December 2016 the new and revised TAS / TFRS on the amendments and interpretations of the Company 'in changes that impact on the financial statements.

a. *The new standards, amendments and interpretations which are effective for the financial statements as of 31 December 2016:*

- TFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. TFRS 14, 'Regulatory deferral accounts' permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
 - TFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
 - TFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to TFRS 1) regarding servicing contracts.
 - TAS 19, 'Employee benefits' regarding discount rates.
 - TAS 34, 'Interim financial reporting' regarding disclosure of information.
- Amendment to TFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(Amounts expressed as Turkish Lira ("TRY") unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 *Turkish Financial Reporting Standards Change and Comparative Information and Reclassifications in the Previous Period's Financial Statements (Continued)*

- Amendments to TAS 16 'Property, plant and equipment', and TAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.
 - Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
 - Amendments to TAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
 - Amendment to TFRS 10 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
 - Amendment to TAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the TASB initiative to improve presentation and disclosure in financial reports.
- b. The new standards, amendments and interpretations introduced to the prior Financial Statements as of 31 December 2016, however is not effective yet:***
- Amendments to TAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the TASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
 - Amendments to TAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 *Turkish Financial Reporting Standards Change and Comparative Information and Reclassifications in the Previous Period’s Financial Statements (Continued)*

- Amendments to TFRS 2, ‘Share based payments’ on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee’s tax obligation associated with a share-based payment and pay that amount to the tax authority.
- TFRS 9 ‘Financial instruments’, effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- TFRS 15 ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. TFRS 15, ‘Revenue from contracts with customers’ is a converged standard from the TASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- Amendment to TFRS 15, ‘Revenue from contracts with customers’, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The TASB has also included additional practical expedients related to transition to the new revenue standard.
- TFRS 16 ‘Leases’, effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The TASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the TASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 *Turkish Financial Reporting Standards Change and Comparative Information and Reclassifications in the Previous Period’s Financial Statements (Continued)*

- Amendments to TFRS 4, ‘Insurance contracts’ regarding the implementation of TFRS 9, ‘Financial instruments’, effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard - TAS 39.
- Amendment to TAS 40, ‘Investment property’ relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Annual improvements 2014 - 2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
 - TFRS 1, ‘First-time adoption of TFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
 - TFRS 12, ‘Disclosure of interests in other entities’ regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
 - TAS 28, ‘Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- TFRIC 22, ‘Foreign currency transactions and advance consideration’, effective from annual periods beginning on or after 1 January 2018. This TFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

The Company will assess the affect of the regarding changes mentioned above and apply accordingly.

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation

Significant accounting policies applied during the preparation of the financial statements are summarised as follows:

2.4.1 Revenue

Revenue is rental income that have generated from investment property and recognized in profit or loss on accrual basis. Income is measured at fair value basis over the reasonable value that is received or can be received.

Revenue is recognized when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Company.

2.4.2 Investment Property

Investment properties comprise of operating investment properties and investment properties under development.

a) Operating investment properties

Operating investment properties held to earn rental income or capital appreciation or both. Operating investment properties of the Company comprise of buildings and lands.

b) Investment property under development

Investment properties under development are those which are held either to rent income or capital appreciation or for both. Investment properties under development of the Company comprise of lands.

An investment property can be accounted as an asset, if and only if, it is probable that economic benefits related to real estate would flow to the company and the cost of the investment property would be measured reliably.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. The profit or loss recognized due to the changes in the fair value of an investment property is included in the current year's comprehensive income statement.

2.4.3 Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and provision for impairment, if any. Any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement.

Depreciation is calculated over of the cost of property and equipment using the straight-line method based on expected useful lives (Note 12).

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

The expected useful lives are stated below:

Property and Equipment	Expected useful life (year)
Furniture and fixture	4-10
Motor vehicles	5
Leasehold improvements	2-5

Subsequent costs incurred for tangible assets are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they were incurred.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount and the provision for impairment is charged to statement of income.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales and are included in the related income and expense accounts, as appropriate.

2.4.4 Intangible assets

Intangible assets are consist of licences, access service and computer software. They are recorded at acquisition cost. And from the date of acquisition over the estimated useful lives of 5 years are amortized using the straight-line method (Note 13).

Estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis.

2.4.5 Impairment of assets

Financial assets

At each reporting date, the company evaluates whether there are unbiased indicators that a financial asset or a financial asset group is subject to impairment. If such an indicator exists, the company determines the relevant impairment amount.

A financial asset or a financial asset group is impaired and impairment loss arises only when there is an unbiased indicator that one or more events ("loss") occurred after the relevant asset's initial recognition and the relevant financial asset or asset group was impaired due to the impact of the said loss on the future cash flows that can be forecast reliably. Potential losses that may arise from future events are not recognised, regardless of their likelihood.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

Non-financial assets

At each reporting date, the company assesses whether there is any indication of an impairment on the book value of the non-financial assets. If there is such an indication, the recoverable amount of that asset is estimated in order to determine the impairment amount. In cases when the asset's recoverable amount cannot be calculated separately, the recoverable amount of the cash generating unit to which that asset is affiliated is calculated.

The recoverable amount is the higher of the values in use or the fair value after deducting sales costs. In measuring value in use, the discount rate used should be the pre-tax rate that reflects prospective estimated cash flows, the time value of money, and the risks specific to the asset.

If the recoverable amount of the asset (or cash generating unit) is less than the book value, the book value of the asset (or cash generating unit) is discounted to the recoverable amount. The impairment losses that result are recognised as loss or profit.

2.4.6 Financial instruments

Classification

The Company has the following financial assets, cash and cash equivalents and financial investment carried at fair value through profit or loss; and has the following financial liabilities; borrowings and trade payable.

i) Non-derivative financial assets

The company, its assets are recognized at the date they are incurred. All other financial assets, the transaction date that becomes a party to the conditions of the contract regarding the Company's financial instruments are recognized. When the company transferred the assets with the relevant contract in accordance with the resulting cash flows related rights expired or related rights of ownership of all of the risks and rewards associated with the assets in a purchase and sale transactions in question is to remove the financial asset register. All kinds created or retained financial assets transferred by the Company is recognized as a separate asset or liability.

Non-derivative financial assets that can be directly attributable to the statement of financial position and transaction costs are recognized at fair value. Subsequent to initial recognition, subsequent period of financial assets are measured as described below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss is divided into three subgroups: "Financial assets held for trading", "Financial assets at fair value through profit or loss" and "Derivative financial assets held for trading".

Financial assets at fair value through profit or loss are generally acquired for the purpose of selling in the short term in order to acquire revenue from fluctuations in the market.

Financial assets at fair value through profit or loss are reflected to statement of financial position with their cost value and then measured at fair value. Difference between cost and fair values is included in profit/loss accounts.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

Available for sale financial assets

Available for sale financial assets are the financial assets other than assets held for trading purposes, financial assets at fair value through profit or loss, held to maturity financial assets and loans and receivables.

Available-for-sale financial assets are subsequently measured at their fair values. Unrecognised gains or losses derived from the difference between their fair value and the discounted values calculated per effective interest rate method are recorded in “Fair value reserve” under shareholders’ equity. In case of sales, the realised gain or losses are recognised directly in the statement of operations. When equity investments are disposed of, any resulting gain or loss is recognised in profit or loss as the difference between the sales price and the carrying amount of the investment.

There is no available for sale financial assets of the Company.

Investments held to maturity

Investments held to maturity are the investments, for which there is an intention of holding until maturity and the relevant conditions for fulfilment of such intention, including the funding ability, and for which there are fixed or determinable payments with fixed maturity; and which are recognized at fair value at initial recognition. Investments held to maturity with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the internal rate of return method less provision for any impairment, if any.

Interest income from investments held to maturity are recognized in the income statement as an interest income.

There is no investments held to maturity of the Company.

Cash and cash equivalents

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

ii) Non-derivative financial liabilities

Loans and borrowings

Loans and borrowings are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

2.4.7 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.4.8 Foreign Currency Transactions

Transactions in foreign currencies are translated into TRY at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to TRY at the exchange rate at that date. Gains or losses on translation of foreign currency denominated transactions to TRY are recognised in profit of loss.

2.4.9 Share premium

Share premium represents the difference as a result of its sale of the stocks of the investments which are evaluated through equity method with a higher price than their nominal prices or the stocks of its subsidiaries; or the difference between the nominal and net realizable values of the stocks of its acquired companies

2.4.10 Paid-in capital

Ordinary shares are classified as equity. Proceeds from issuing new equity instruments are recorded net of transaction costs.

2.4.11 Dividends

Dividend income is recognized by the Company at the date the right to collect the dividend is realized. Dividend payables are recognized as a result of profit distribution in the period they are declared.

2.4.12 Earning per share

Earnings per share are determined by dividing net comprehensive income by the weighted average number of shares that have been outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of their shares “bonus shares” to existing shareholders funded from retained earnings or other reserves. For the purpose of earnings per share computations, such bonus share issuances are regarded as issued shares for all periods presented and accordingly the weighted average number of shares used in earnings per share computations in prior periods is adjusted retroactively for the effects of these shares, issued without receiving cash or another consideration from shareholders.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

2.4.13 Subsequent events

Subsequent events represent the events that occur against or on behalf of the Company between the reporting date and the date when reporting was authorised for the issue. There are two types of subsequent events:

- those that provide evidence of conditions that existed as of reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If there is evidence of such events as of reporting date or if such events occur after reporting date and if adjustments are necessary, the Company's financial statements are adjusted according to the new situation. The Company discloses the post-balance sheet events that are not adjusting events but material.

2.4.14 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present implicit or legal obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the notes.

If the inflow of economic benefits is probable, contingent assets are disclosed in the notes to the financial statements. If the inflow of the economic benefit is more than likely to occur, such asset and income statement effect are recognised in the financial statements at the relevant period that income change effect occurs.

2.4.15 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.

The Company as the lessor

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

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

The company as the lessee

Financial leases

Finance leases are capitalized at the lease’s commencement at the lower of the fair value of the leased property or the present value of the minimum lease payments. The principal amount of rental obligations is accounted for under liabilities and reduced when the payment made. The interest element of the finance cost is charged to the financial statement of comprehensive income over the lease period. Obligations under finance leases are accounted for under the “Financial liabilities” account balance on the balance sheet. Interest rates and exchange difference expenses arising from financial leasing are charged to comprehensive income statement .Tangible assets acquired through financial leasing is amortized over the shortest of its useful life or the lease term.

Payments made under operating leases are charged to the financial statement of comprehensive income on a straight-line basis over the period of the lease term.

2.4.16 Related parties

For the purpose of the financial statements, shareholders, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them, associates and joint ventures are considered as related parties in accordance with TAS 24 related party disclosure.

2.4.17 Taxation

Corporate Tax

According to Article 5/1(d) (4) of the New Corporate Tax Law No: 5520, 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.

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

2.4.18 Provision for employee termination benefits

Provision for the employee termination benefits shows the present value of total liabilities resulting from retirement of personnel in the future for the company in accordance with Turkish Labour Law. Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of critical account estimation (Continued)

Provision is related to fair value of defined benefit plan calculated with the method of estimated liability. All actuarial profit and losses are accounted under comprehensive income statement. TFRS requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. The liability for this unfunded plan recognized in the balance sheet is the full present value of the defined benefit obligation at the end of the reporting period, calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows from the retirement of its employees.

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus the effective discount rate applied represents the expected real interest rate after adjusting for the effects of future inflation. The maximum amount of 4.426 full TRY which is effective from 1 January 2017 has been taken into consideration when calculating the liability (1 January 2016: 4.093 full TRY) as of 31 December 2016.

2.4.19 Inventories

Inventories are valued at the lower of cost or net realizable value. Inventories comprise of construction costs of housing units (completed and in-progress) and the cost of land used for to these housing projects. Land held for future development of housing projects are also classified as inventory. Cost elements included in inventory are purchase costs, conversion costs and other costs necessary to prepare the asset for its intended use. Unit costs of the inventories are valued at the lower of cost or net realizable value. Housing units which are completed and ready for delivery to customers together with work-in progress costs for housing units which will be completed within a year, are classified as short term inventories in the financial statements. Inventories are classified under the non-current asset in the financial statements as of balance sheet which are not estimated to sell within a year.

2.5 Critical accounting estimates, assumptions and judgments

The preparation of financial statements requires the use of assumptions and estimates that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues expenses which are reported throughout the period. Even though, these assumptions and estimates rely on the best estimates of the Company management; the actual results might differ from them.

There are not any significant changes in accounting estimates of the Company in the current period financial statements as of 31 December 2016.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Critical accounting estimates, assumptions and judgments (Continued)

The fair value measurement of investment properties

As of 31 December 2016 in the financial statements, principal assumptions used in valuation reports during the finding fair values of real estates classified as investment property are explained below:

Name of investment property	Valuation method	Valuation market m² value in full TRY
Ümraniye Land	Sale comparison	22,500
İstanbul/Levent Business Center	Sale comparison	13,530
Ankara/Kavaklıdere Shop	Sale comparison	13,200
İstanbul/Fatih Business Center	Sale comparison	10,491
İzmir/Konak Land 8604 Plot-4 Parcel	Sale comparison	4,050
İzmir/Konak Land 8604 Plot-1 Parcel	Sale comparison	4,000
İzmir/Konak Land 8601 Plot-1 Parcel	Sale comparison	4,000
İzmir/Aliağa Business Center	Sale comparison	3,907
İzmir/Konak Land 8603 Plot-1 Parcel	Sale comparison	3,850
Samandıra Land	Sale comparison	3,639
Kütahya/Merkez Business Center	Sale comparison	3,245

As of 31 December 2015 in the financial statements, principal assumptions used in valuation reports during the finding fair values of real estates classified as investment property are explained below:

Name of investment property	Valuation method	Valuation market m² value in full TRY
Ümraniye Land	Sale comparison	22,000
İstanbul/Levent Business Center	Sale comparison	12,212
Ankara/Kavaklıdere Shop	Sale comparison	12,000
İstanbul/Fatih Business Center	Sale comparison	9,299
İzmir/Aliağa Business Center	Sale comparison	3,654
İzmir/Konak Land 8604 Plot-4 Parcel	Sale comparison	3,500
İzmir/Konak Land 8604 Plot-1 Parcel	Sale comparison	3,450
İzmir/Konak Land 8601 Plot-1 Parcel	Sale comparison	3,450
İzmir/Konak Land 8603 Plot-1 Parcel	Sale comparison	3,400
Kütahya/Merkez Business Center	Sale comparison	3,017

Inventories

The land was purchased for real estate project and it is measured at the lower of cost and net realizable value.

The Company classifies the land which develop for residential project under the long term assets.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Critical accounting estimates, assumptions and judgments (Continued)

Long term VAT receivables

The Company classifies its VAT receivables which will be recovered more than one year based on its current operations, to non-current asset (Note 9). The Company’s total VAT receivable as of 31 December 2016 is amounting to TRY30,320,928 (31 December 2015: TRY10,618,506) and this amount has been reclassified to non-current asset based on timing of forecast income and expense subjected to VAT.

2.6 Control of compliance with the portfolio limitations

Presented information as of 31 December 2016, control of compliance with the portfolio limitations are the condensed information which comprised of Serial: II, No: 14.1 “Financial Reporting in Capital Markets” Amendment No: 16 and prepared in accordance with Capital Markets Board’s Communiqué Serial: III, No: 48.1 “Real Estate Investment Company” published in the Official Gazette dated 23 January 2014 numbered 28891 Capital Markets Board’s Communiqué Serial: III, No: 48.1 a “Amendment on Real Estate Investment Company” published in the Official Gazette dated 23 January 2014 numbered 28891.

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3 RELATED PARTY DISCLOSURES

Due to /from related parties

31 December 2016 31 December 2015

Banks and other liquid assets

Türkiye Vakıflar Bankası T.A.O. ("Vakıfbank")	100,075,938	241,096,348
Türkiye Halk Bankası A.Ş. ("Halkbank")	482,386	293,268

Financial investments

Vakıfbank Bond	87,633,713	-
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Prepaid expenses

Güneş Sigorta A.Ş. ("Güneş Sigorta")	69,855	55,813
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Other receivable from related parties

Vakıf Factoring	4,864	9,500
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Trade payables to related parties

Halk Gayrimenkul Yatırım Ortaklığı A.Ş.	-	724
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Other payables to related parties

Halk GYO	13,179	-
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Financial liabilities to related parties

Vakıf Finansal Kiralama Anonim Şirketi ("Vakıf Leasing") (Note 14)	-	108,713
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Purchase of investment properties from related parties

Güneş Sigorta	-	93,500,000
Vakıfbank	-	19,000,000

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3. RELATED PARTY DISCLOSURES (Continued)

Income and expense from related parties

Income 31 December 2016 31 December 2015

Rent income from related parties

Vakıfbank	1,813,527	1,688,226
Vakıf Yatırım Menkul Değerler A.Ş.	1,005,090	1,005,090
Vakıf Faktoring	273,798	257,611
Obaköy	2,000	-

Interest income from related parties

Vakıfbank	27,795,038	29,629,596
Halkbank	41,224	152,591

Investing activities income from related parties

Vakıfbank	1,243,827	1,294,597
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Other income from related parties

Vakıf Faktoring	54,670	39,886
Obaköy	2,797	-

As of 31 December 2016 and 2015, all company's revenue were generated from the related parties of the Company.

Expenses 31 December 2016 31 December 2015

Insurance expense paid to related parties

Güneş Sigorta	137,074	96,696
Vakıf Emeklilik A.Ş.	52,199	42,565

Interest expense paid to related parties

Vakıfbank	2,231	-
Vakıf Leasing	680	38,740

Operating expenses and commission expenses to related parties

Vakıfbank	245,392	171,985
Vakıf Yatırım Menkul Değerler A.Ş.	75,312	78,632
Vakıf Pazarlama	2,325	-

Employee benefits to key management

Remuneration and fees paid to members of the board of directors	562,166	532,588
Remuneration and fees paid to other key management	386,348	363,934

Contribution expenses paid to related parties

As of 31 December 2016, regarding the borrowing used under the guarantee contract for the sale of the Bizimtepe Aydos project of the Company, the Company paid to TRY1,462,298 contribution expenses to Halkbank (31 December 2015: TRY517,838) and Vakıfbank (31 December 2015: TRY474,624) and the related amounts have been shown by deducting from the advances on the financial statements.

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4 CASH AND CASH EQUIVALENTS

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

	31 December 2016	31 December 2015
Cash	1,874	2,591
Banks-Time deposits	99,063,551	240,555,922
Banks-Demand deposits	162,850	524,172
Investment funds	1,224,495	-
Other liquid assets	133,559	310,031
Cash and cash equivalents in the financial position	100,586,329	241,392,716
Interest income accruals on cash and cash equivalents	(663,619)	(847,120)
Cash and cash equivalents in the statement of cash flows	99,922,710	240,545,596

As of 31 December 2016 and 31 December 2015, there is no blockage on cash and cash equivalents.

Demand deposits

As of 31 December 2016 and 31 December 2015, the details of demand deposits at bank are as follows:

	31 December 2016	31 December 2015
TRY	162,850	524,172
Total	162,850	524,172

Time deposits

As of 31 December 2016 and 31 December 2015, the details of time deposits at banks are as follows:

31 December 2016	Amount (TRY)	Nominal interest rate (%)	Maturity
TRY	66,934,612	10.40	27 January 2017
TRY	22,107,511	10.20	6 January 2017
TRY	9,521,025	9.00	13 January 2017
TRY	355,984	8.00	1 February 2017
TRY	125,389	9.50	6 January 2017
TRY	19,030	8.00	1 February 2017
Total	99,063,551		

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4 CASH AND CASH EQUIVALENTS (Continued)

Time deposits

31 December 2015	Amount (TRY)	Nominal interest rate (%)	Maturity
TRY	119,607,063	13.30	19 January 2016
TRY	80,209,425	13.65	26 January 2016
TRY	40,030,466	13.90	1 February 2016
TRY	580,167	10.50	19 January 2016
TRY	128,801	9.30	1 January 2016
Total	240,555,922		

5 FINANCIAL INVESTMENTS

As of 31 December 2016, financial assets consist of financial assets which are accounted fair value in statement of profit or loss, the details of the accounts are as follows (31 December 2015: None):

31 December 2016	Cost	Maturity	Fair value	Interest rate (%)
Private sector bond (<i>Note 3</i>)	67,757,900	7 April 2017	68,131,700	10.15
Private sector bond (<i>Note 3</i>)	19,174,716	3 March 2017	19,502,013	9.30
Total	86,932,616		87,633,713	

6 TRADE RECEIVABLES AND PAYABLES

Short term trade receivables

As of 31 December 2016 and 31 December 2015, short term trade receivables of the Company are as follows:

	31 December 2016	31 December 2015
Note receivable (*)	10,295,676	2,293,347
Trade receivable	606,516	4,066,321
Total	10,902,192	6,359,668

(*) As of 31 December 2016 notes receivable amounting to TRY10,295,676 consist of deposits received from the pre-sales of residential units at Bizimtepe Aydos project of Halk GYO-Vakif GYO (31 December 2015: TRY2,293,347).

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6 TRADE RECEIVABLES AND PAYABLES (Continued)

Long term trade receivables

As of 31 December 2016 and 31 December 2015, long term trade receivables of the Company are as follows:

	31 December 2016	31 December 2015
Note receivables (*)	29,062,160	3,639,409
Total	29,062,160	3,639,409

(*) As of 31 December 2016 long-term trade receivable amounting to TRY29,062,160, consist notes receivables from pre-sales of residential units at Bizimtepe Aydos project of Halk GYO-Vakıf GYO (31 December 2015: TRY3,639,409).

Trade payables

Short term trade payable

As of 31 December 2016 and 31 December 2015, short term trade payables of the Company are as follows:

	31 December 2016	31 December 2015
Trade payables	1,104,267	207,801
Trade payables to related parties (Note 3)	-	724
Total	1,104,267	208,525

7 OTHER RECEIVABLES AND PAYABLES

Other receivables

Other current receivables

As of 31 December 2016 and 31 December 2015, other current receivables of the Company are as follows:

	31 December 2016	31 December 2015
Other receivables from third parties (*)	7,673,802	3,068,975
Other receivables from related parties (Note 3)	4,864	9,500
Total	7,678,666	3,078,475

(*) TRY7,673,802 of the other current receivables consist of receivable from tax administration amounting to TRY7,333,669, other receivables amounting to TRY340,133 (31 December 2015: TRY3,068,975).

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7 OTHER RECEIVABLES AND PAYABLES (Continued)

Other non-current receivables

As of 31 December 2016 and 31 December 2015, other non-current receivables of the Company are as follow:

	31 December 2016	31 December 2015
Other non-current receivables from third parties (*)	3,464,744	8,440
Total	3,464,744	8,440

(*) TRY3,456,304 (31 December 2015: None) of the other non-current receivables, worth TRY3,464,744, are the costs related to the three extra basement floors of the towers to be built within the scope of the IUFM project to prevent stability problems that could arise because of its location next to metro lines that will provide rail transportation to the towers' construction area. These costs will be collected with IUFM's common construction expenses, after the related shoring works are complete. The amount worth TRY8,440 (31 December 2015: TRY8,440) is consist of the other various receivables.

Other payables

Other current payables

As of 31 December 2016 and 31 December 2015, other current payables of the Company are as follows:

	31 December 2016	31 December 2015
Deposits and guarantees received (*)	2,314,439	137,766
Other payables	52,093	51,838
Other payables to related parties (Note 3)	13,179	-
Total	2,379,711	189,604

(*) TRY1,957,345 (31 December 2015: TRY137,766) of the deposits and guarantees received amounting to TRY2,314,439 is consist of advance payment amounts collected from contractors within the scope of the Halk GYO-Vakıf GYO's Bizimtepe Aydos project, and TRY357,094 (31 December 2015: None) of amount is consist of advance payment amounts collected within the scope of the IUFM project.

Other non-current payables

As of 31 December 2016 and 31 December 2015, other long-term payables of the Company are as follows:

	31 December 2016	31 December 2015
Deposits and guarantees received	7,715	-
Total	7,715	-

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8 PREPAID EXPENSES

As of 31 December 2016 and 31 December 2015, short term prepaid expenses of the Company are as the follows:

	31 December 2016	31 December 2015
Prepaid expense	78,812	63,818
Total	78,812	63,818

As of 31 December 2016 and 31 December 2015, long term prepaid expenses of the Company are as the follows:

	31 December 2016	31 December 2015
Advances given (*)	9,529,353	6,449,902
Total	9,529,353	6,449,902

(*) As of 31 December 2016, long term prepaid expenses amounting to TRY9,529,353 consist of given advances given for Bizimtepe Aydos project of Halk GYO-Vakıf GYO (31 December 2015: TRY 6,449,902).

9 CURRENT INCOME TAX ASSETS, OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS

As of 31 December 2016 and 31 December 2015, current income tax assets of the Company are as follows:

	31 December 2016	31 December 2015
Prepaid taxes and funds (*)	4,203,361	4,475,775
Total	4,203,361	4,475,775

(*) TRY4,203,361 of all prepaid taxes and fund consist of withholding tax on from time deposits income in the current term (31 December 2015 : TRY4,475,775).

As of 31 December 2016 and 31 December 2015, other current assets of the Company are as follows:

	31 December 2016	31 December 2015
VAT receivable	-	388,887
Other current assets	-	80
Total	-	388,967

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9 CURRENT INCOME TAX ASSETS, OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS (Continued)

As of 31 December 2016 and 31 December 2015, other non-current assets of the Company are as follows:

	31 December 2016	31 December 2015
VAT receivable (*)	30,320,928	10,618,506
Total	30,320,928	10,618,506

(*) Other non-current assets consist of the VAT tax receivable of Halk-Vakif GYO ordinary partnership's piece of land in Sancaktepe/Istanbul, which will be offset in other periods. The VAT receivable of TRY17,620,481 which arises from the purchase of the land in Sancaktepe by Halk -Vakıf GYO is followed under other non-current asset as the project on the land is long term on 31 December 2016 (31 December 2015: TRY10,618,506), TRY12,700,447 portion of the other non-currents assets consist from the purchase of the land Samandira land is followed under other non-current assets as the investments to be made by the Company within 2 years.

10 INVESTMENT PROPERTIES

As of 31 December 2016 and 31 December 2015, details of investment properties are as follows:

	31 December 2016	31 December 2015
Investment properties under development	595,996,358	475,141,000
Operating investment properties	42,975,400	39,104,000
Total	608,971,758	514,245,000

As of 31 December 2016 and 31 December 2015, details of operating investment properties and investment properties under development are as follows:

	31 December 2016	31 December 2015
<i>Investment properties under development</i>		
Lands	565,996,358	475,141,000
<i>Operating investment properties</i>		
Buildings	42,975,400	39,104,000
Total	608,971,758	514,245,000

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10 INVESTMENT PROPERTIES (Continued)

Investment properties under development

Lands

As of 31 December 2016, the fair value of the investment properties under development in the financial statements are as follows:

Description	Valuation method	Valuation report date	Fair Value
Ümraniye Land İzmir/Konak Land 8601	"Sale comparison"	27 December 2016	359,996,625
Plot-1 Parcel	"Sale comparison"	27 December 2016	70,695,000
İzmir/Konak Land 8604	"Sale comparison"	27 December 2016	26,402,080
Plot-1 Parcel	"Sale comparison"	27 December 2016	25,196,062
İzmir/Konak Land 8604	"Sale comparison"	27 December 2016	19,956,591
Plot-4 Parcel	"Sale comparison"	27 December 2016	
İzmir/Konak Land 8603	"Sale comparison"	27 December 2016	
Plot-1 Parcel	"Sale comparison"	27 December 2016	
Total			502,246,358

Description	Valuation method	Transaction date	Fair Value
Sancaktepe Land (*)	"Sale comparison"	9 December 2016	63,750,000
Total			63,750,000

(*) The Company purchased a 17,518.17 m2 piece of land in Istanbul's Sancaktepe, Samandıra district, 243EE4D plate, 6770 plot 2th parcel for TRY63.750.000 + VAT, 50% from Ak İnşaat Mermercilik ve Gayrimenkul Yatırım Ticaret A.Ş. The transaction price is considered as the sale comparison price.

As of 31 December 2015, the fair value of the investment properties under development in the financial statements are as follows:

Description	Valuation method	Valuation report date	Fair Value
Ümraniye Land İzmir/Konak Land 8601	"Sale comparison"	25 December 2015	351,997,000
Plot-1 Parcel	"Sale comparison"	25 December 2015	60,974,000
İzmir/Konak Land 8604	"Sale comparison"	25 December 2015	22,772,000
Plot-1 Parcel	"Sale comparison"	25 December 2015	21,774,000
İzmir/Konak Land 8604	"Sale comparison"	25 December 2015	17,624,000
Plot-4 Parcel	"Sale comparison"	25 December 2015	
İzmir/Konak Land 8603	"Sale comparison"	25 December 2015	
Plot-1 Parcel	"Sale comparison"	25 December 2015	
Total			475,141,000

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10 INVESTMENT PROPERTIES (Continued)

As of 31 December 2016 and 31 December 2015, the movement of investment properties under development are as follows:

	2016	2015
Beginning of the period - 1 January	475,141,000	310,000,000
Additions (*)	67,486,827	123,279,799
Change in fair value	23,368,531	41,861,201
End of the period- 31 December	565,996,358	475,141,000

(*) TRY63,750,000 related with purchased land (31 December 2015: TRY114,750,467) of additions amounting to TRY67,486,827 include, TRY2,577,080 (31 December 2015: TRY5,889,025) related with progress payment, TRY523,300 (31 December 2015: None) related with payments for consulting services within the scope of İzmir Konak Comprehensive Project, TRY439,440 (31 December 2015: None) related with payments for infrastructural work, TRY197,007 (31 December 2015: TRY686.510) consisting of other payments and payment of permit and duty to Ümraniye municipality was not observed in 2016 (31 December 2015: TRY1,953,797).

As per the decision made at the Company's Board of Directors' meeting on 12 May 2011, an engagement letter was signed with the Bank on 12 May 2011 for moving Vakıfbank to Istanbul, constructing the required Head Office service building and leasing that building to Vakıfbank for a long term.

For the aforementioned building which the company will construct in Istanbul, with the Company's Board of Directors' decision No. 24 dated 25 May 2011, parcels 4 and 5, in block 3323 of the Ümraniye district in İstanbul province, which are owned by TOKİ (Housing development administration of Turkey) and whose development plan was prepared by TOKİ in the region which was allocated for the Istanbul International Finance Centre within the borders of the Ataşehir Collective Housing Area Trade Zone Revision Development Plan, were incorporated into one parcel, no. 6 covering a 32,004.94 m² piece of land. This parcel was purchased for TRY 120,020,438 and the purchase and sale costs were borne by the parties. Ataşehir Vakıfbank's head office building's land is made up of two parcels: one is 7,226 m² (with a total of around 16,000 m² of land) registered as "land" in parcel 12, and the other is 8.774 m² registered as "land" on parcel 5, block 3328 in section F22D23D4D of the Küçükbakkalköy neighbourhood in the Ümraniye district of İstanbul province.

In order to carry out the T. Vakıflar Bankası T.A.O. Head Office Service Building and Facilities Project on said land, the concept project works were completed and the concerning prepared project was confirmed with the decision of Ministry of Environment and Urbanisation Aesthetics Board on 22 May 2014. Following the confirmation, licence projects were completed and prepared, and as a result of the municipality meetings construction/building licences for both parcels were obtained from Ümraniye Municipality on 22 June 2015. After the building licences were received, the Main Contractor Tender preparation started.

The tender preparations have been completed with the aim of determining the main contractor and the tender file has been submitted to the tenderer. After the tender process is completed and the main contractor is determined, it is planned to pass the construction phase in 2017.

As a result of the construction of the subway construction to the Istanbul International Finance Center, 3 additional basements have to be added to the project parcels, excavation and excavation works have started for the relevant parcels and it is envisaged that the related works will be completed in 2017.

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10 INVESTMENT PROPERTIES (Continued)

Operating investment property:

As of 31 December 2016, the fair values of investment properties are as follows:

Description	Valuation method	Valuation report date	Fair value
İstanbul/Levent Business Center	"Sale comparison"	27 December 2016	14,477,000
Ankara/Kavaklıdere Shop	"Sale comparison"	27 December 2016	12,038,400
Kütahya/Merkez Business Center	"Sale comparison"	27 December 2016	6,685,000
İstanbul/Fatih Business Center	"Sale comparison"	27 December 2016	5,340,000
İzmir/Aliağa Business Center	"Sale comparison"	27 December 2016	4,435,000
Total			42,975,400

As of 31 December 2015, the fair values of investment properties are as follows:

Description	Valuation method	Valuation report date	Fair value
İstanbul/Levent Business Center	"Sale comparison"	25 December 2015	13,067,000
Ankara/Kavaklıdere Shop	"Sale comparison"	25 December 2015	10,944,000
Kütahya/Merkez Business Center	"Sale comparison"	25 December 2015	6,215,000
İstanbul/Fatih Business Center	"Sale comparison"	25 December 2015	4,731,000
İzmir/Aliağa Business Center	"Sale comparison"	25 December 2015	4,147,000
Total			39,104,000

As of 31 December 2016 and 31 December 2015, the movement of operating investment properties are as follows:

	2016	2015
Beginning of the period - 1 January	39,104,000	53,918,898
Additions	262,644	129,284
Disposal	-	(18,800,296)
Fair value gain	3,608,756	3,856,114
End of the period - 31 December	42,975,400	39,104,000

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10 INVESTMENT PROPERTIES (Continued)

İstanbul / Levent Business Center

İstanbul / Levent Business Center is registered to Beşiktaş/İstanbul Rumelihisar neighbourhood 1472 plot 1th parcel. Total gross surface is 1,917 m².

Based on Aartıbir Gayrimenkul Değerleme A.Ş.'s valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 27 December 2016 İstanbul/Levent Business Center's VAT excluded fair value is TRY14,477,000 according to sales comparison method. There is no restriction on investment properties. The Company rented this property to Vakıf Yatırım Menkul Değerler A.Ş.. The Company earned TRY1,005,090 of rental income for the period started 1 January 2016 and ended 31 December 2016 (31 December 2015: TRY1,005,090).

Kütahya / Merkez Business Center

Kütahya/ Merkez Business Center is registered to Merkez/Kütahya Ali Paşa neighbourhood 63 plot 224 th parcel. Total gross surface is 2,060 m².

Based on Aartıbir Gayrimenkul Değerleme A.Ş.'s valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 27 December 2016 Kütahya/Merkez Business Center's VAT excluded fair value is TRY6,685,000 according to sales comparison method. There is no restriction on investment properties. The Company rented this property branch office of Vakıfbank. The Company earned TRY411,376 of rental income for the period started 1 January 2016 and ended 31 December 2016 (31 December 2015: TRY382,411).

Ankara / Kavaklıdere Shop

Ankara/ Kavaklıdere shop is registered to Çankaya/Ankara Küçükesat neighbourhood 2537 plot 6 th parcel. Total gross surface is 912 m².

Based on Aartıbir Gayrimenkul Değerleme A.Ş.'s valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 27 December 2016 Ankara/Kavaklıdere shop's VAT excluded fair value is TRY12,038,400 according to sales comparison method. There is no restriction on investment properties. The Company rented this property to branch office of Vakıfbank Kavaklıdere. The Company earned TRY836,628 of rental income for the period started 1 January 2016 and ended 31 December 2016 (31 December 2015: TRY780,000).

İzmir / Aliğa Business Center

İzmir/ Aliğa business center is registered to Aliğa/İzmir Aliğa neighbourhood 50 plot 5637 th parcel. Total gross surface is 1,275 m².

Based on Aartıbir Gayrimenkul Değerleme A.Ş.'s valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 27 December 2016 İzmir/Aliğa business center's VAT excluded fair value is TRY4,435,000 according to sales comparison method. There is no restriction on investment properties. The Company rented this property to branch office of Vakıfbank Aliğa. The Company earned TRY299,925 of rental income for the period started 1 January 2016 and ended 31 December 2016 (31 December 2015: TRY278,841).

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10 INVESTMENT PROPERTIES (Continued)

İstanbul / Fatih Business Center

İstanbul / Fatih Business Center is registered to Fatih/İstanbul neighbourhood 2123 plot 9 th parcel. Total gross surface is 509 m².

Based on Aartıbir Gayrimenkul Değerleme A.Ş.'s valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 27 December 2016 İstanbul/Fatih Business Center's VAT exclude fair value is TRY5,340,000 according to sales comparison method. There is no restriction on investment properties. The Company rented this property to branch office of Vakıfbank Fatih. The Company earned TRY265,648 of rental income for the period started 1 January 2016 and ended 31 December 2016 (31 December 2015: TRY246,974).

As of 31 December 2016 and 31 December 2015, insurance amount of investment properties are as follows:

	31 December 2016		31 December 2015	
	Insurance date	Insurance value	Insurance date	Insurance value
Kütahya/Merkez Business Center	1 February 2016	1,771,600	1 February 2015	1,236,000
İzmir/Aliağa Business Center	1 February 2016	892,500	1 February 2015	765,000
İstanbul/Levent Business Center	15 January 2016	749,000	15 January 2015	1,202,004
Ankara/Kavaklıdere Shop	15 January 2016	638,400	15 January 2015	533,520
İstanbul/Fatih Business Center	11 February 2016	356,118	8 February 2015	297,613
Total		4,407,618		4,034,137

11 INVENTORIES

	31 December 2016	31 December 2015
Land (*)	136,193,496	65,381,916
Total	136,193,496	65,381,916

(*) As of 31 December 2016, inventories amounting to TRY136,193,496 consist of TRY101,468,490 (31 December 2015: TRY65,381,916) related with Halk GYO - Vakıf GYO's residential real estate project and TRY34,725,006 related with inventories of Vakıf - Obaköy residential real estate.

İstanbul/Sancaktepe

The company purchased a 95,221.84 m² piece of land in Istanbul's Sancaktepe district for TRY110,000,000 + VAT, 50% of which will be paid by Vakıf GYO and 50% of which will be paid by Halk GYO. The total construction area on this piece of land is 223,940 m² and the relevant project consists of 1,052 single units, of which are 1,015 houses, 26 trade units, 1 kindergarten, 1 sports complex and 9 housekeeper's flats. A construction license was obtained on 4 November 2015 and it is expected that the project will be completed in the 2019.

İstanbul/Maltepe

The company purchased a 15,264 m² piece of land in Istanbul's Maltepe district for TRY66,971,250, 50% of which will be paid by Vakıf GYO and 50% of which will be paid by Obaköy.

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12 PROPERTY, PLANT AND EQUIPMENT

The movement schedule of property, plant and equipment as of 31 December 2016 and 31 December 2015 is as follows:

	1 January 2016	Addition	Disposal	31 December 2016
<i>Cost</i>				
Land	205,926	-	-	205,926
Machinery and equipment	412,724	15,546	-	428,270
Vehicles	169,880	-	-	169,880
Special costs	402,521	4,532	-	407,053
Total	1,191,051	20,078	-	1,211,129
<i>Accumulated depreciation</i>				
Machinery and equipment	(233,031)	(50,107)	-	(283,138)
Vehicles	(70,783)	(33,976)	-	(104,759)
Special costs	(95,509)	(80,824)	-	(176,333)
Total	(399,323)	(164,907)	-	(564,230)
Net book value	791,728			646,899

Based on Aartıbir Gayrimenkul Değerleme A.Ş.'s valuation report of a real estate appraisal company include in the list of authorized companies to offer appraisal services within the framework of the CMB, dated 27 December 2016 land has been accounted under the tangible asset's VAT excluded fair value is TRY753,118 according to sales comparison method (31 December 2015: TRY753,118). The gross carrying value of the land on which there is an energy transmission line amounting to TRY205,926, there is no other restriction on the land.

As of 31 December 2016, TRY164,907 of the total depreciation expenses has been accounted under general administrative expenses (31 December 2015: TRY 160,562).

	1 January 2015	Addition	Disposal	31 December 2015
<i>Cost</i>				
Land	205,926	-	-	205,926
Machinery and equipment	374,311	38,413	-	412,724
Vehicles	169,880	-	-	169,880
Special costs	402,521	-	-	402,521
Total	1,152,638	38,413	-	1,191,051
<i>Accumulated depreciation</i>				
Machinery and equipment	(186,949)	(46,082)	-	(233,031)
Vehicles	(36,807)	(33,976)	-	(70,783)
Special costs	(15,005)	(80,504)	-	(95,509)
Total	(238,761)	(160,562)	-	(399,323)
Net book value	913,877			791,728

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13 INTANGIBLE ASSETS

The movement schedule of intangible assets which consist of software and rights as of 31 December 2016 and 31 December 2015 are as follows:

	1 January 2016	Addition	Disposal	31 December 2016
Cost	42,836	27,337	-	70,173
Accumulated amortisation	(29,635)	(9,279)	-	(38,914)
Net book value	13,201			31,259

	1 January 2015	Addition	Disposal	31 December 2015
Cost	56,191	11,300	(24,655)	42,836
Accumulated amortisation	(46,144)	(8,004)	24,513	(29,635)
Net book value	10,047			13,201

There is no lien and no pledge on intangible assets as of 31 December 2016 and 31 December 2015.

As of 31 December 2016, TRY9,279 of the total amortisation expenses has been accounted under general administrative expenses (31 December 2015: TRY 8,004).

14 SHORT TERM PORTION OF LONG TERM FINANCIAL LIABILITIES AND LONG TERM FINANCIAL LIABILITIES

Short term portion of long term financial liabilities

As of 31 December 2016 and 31 December 2015, short term portion of long term financial liabilities of the Company consist of financial leasing payable is as follows:

	31 December 2016	31 December 2015
Liabilities from finance lease (Gross)	-	109,339
Cost of unrealized finance lease	-	(626)
Total	-	108,713

As of 31 December 2016, the Company has no financial liabilities to Fatih Building, which the Company carries in investment portfolio. The company paid off the financial liabilities on 24 February 2016.

31 December 2015	Weighted average interest rates (%)	Currency	Original currency	TRY equivalent
Short term portion of long term financial liabilities	9.98%	TRY	108,713	108,713
				108,713

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15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of 31 December 2016 and 31 December 2015 commitments given are as follows:

The CPMs given by the Company	31 December 2016	31 December 2015
A. CPM's given in the name of its own legal personality	57,094,641	58,377,141
B. CPM's given on behalf of the fully Consolidated companies	-	-
C. CPM's given on behalf of third parties for ordinary course of business (*)	63,778,435	13,030,354
D. Total amount of other CPM's given	-	-
i. Total amount of CPM's given on behalf	-	-
ii. Total amount of CPM's given on behalf of other group companies which are not in scope of B and C	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
Total	120,873,076	71,407,495

(*) The balance consist of the Company's guarantor balance for the clients. The Company's joint venture foundation of Halk GYO-Vakıf GYO Adi Ortaklığı begun pre-sales of residential at Bizimtepe Aydos Project. If the customers use loans from the banks that the Company agreed, the Company will be guarantor to the Clients. Vakıf GYO-Halk GYO Adi Ortaklığı signed the general guarantee agreement with the agreed banks amounting to TRY850,565,000 as of 31 December 2016 (31 December 2015: TRY830,565,000). The Company's responsibility is TRY452,282,500 (31 December 2015: TRY415,282,500). The pre-sales of Vakıf GYO-Halk GYO Adi Ortaklığı amounting to TRY127,556,870 (31 December 2015: TRY26,060,708) performed through the guarantee agreement. The risk of the Company is TRY63,778,435 (31 December 2015: TRY13,030,354) due to the pre-sales through the guarantee agreements as of 31 December 2016. The proportion of other CPM and Company's equity is 7.37% as of 31 December 2016 (31 December 2015: 5.87%).

The proportion of other CPM and Company's equity is 12.25% as of 31 December 2016 (31 December 2015: 8.69%).

As of 31 December 2016 and 31 December 2015, the details of deposits and guarantees received are showed below:

	31 December 2016		31 December 2015	
	Original amount	TRY Equivalent	Original amount	TRY Equivalent
TRY	280,875,100	280,875,100	17,056,270	17,056,270
EURO	-	-	660,000	2,097,216
Total	280,875,100	280,875,100	17,716,270	19,153,486

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15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

With its Board of Directors' decision dated 13 March 2014, the Company decided to increase its issued capital from TRY 106,200,000 to TRY 212,300,000. Marmara Metal Mamülleri A.Ş., one of the Company's shareholders, opened a lawsuit on 11 April 2014 to request, as per Article 18/6 of *Capital Markets Law No. 6362* and Article 445 (and subsequent articles) of *Turkish Commercial Code No. 6102*, that the Company's Board of Directors' decision to increase the capital be cancelled and adjourned. With the interim decision dated 12 May 2014, the court decided to reject the request for the adjourning execution of the Board of Directors' decision. On 3 June 2014 the plaintiff objected to the resolution to reject the decision, dated 12 May 2014. With its decision dated 26 December 2014, the court decided that "The matter of investigating the plaintiff's book records should be resolved at the hearing, the interim decision should be communicated in order for the expert committee to present the file and the report within one month following communication of the interim decision, and the hearing should be held on 25 March 2015". At the hearing held on 25 March 2015, since the report was at the expert committee, it was decided that the requests that communication be sent to the expert committee for return of the file to the court with and without a report, an investigation should be done on the plaintiff attorneys' books and a construction engineer should be added to the expert committee will be evaluated upon receipt of the file and the hearing was adjourned to 17 June 2015. The hearing dated 17 June 2015 was adjourned to 10 February 2016 as the written responses were not added to the file in line with the previous decision made at the hearing dated 4 November 2015. The hearing dated 10 February 2016, since the expert committee report is not enough for the decision, new investigation by expert committee is requested. The investigation will be performed on 11 March 2016. In addition, since the shares of the defendant is decreased below 5%, the court is delayed on 8 June 2015 in order to control the right ownership of defendant. The lawsuit file was handed over to the experts at the court registry on 11 March 2016 and they reviewed the books and records on 7 April 2016. The experts provided their report on the lawsuit case on 25 May 2016. On the hearing of the case on 8 June 2016, it was decided that the parties could file an appeal against the expert report on 23 November 2016. The company made an appeal to the expert report on 13 June 2016. In the hearing of the case dated 23 November 2016, it was decided that the reports on confiscation should be re-reported as there are contradictory findings in the expert's files, the examination of the related reports should be held in the court hearing room on 16 December 2016 and the hearing was decided as 15 March 2017. The file has been delivered to expert and the report is expected.

In line with the opinion obtained from the attorney, the lawsuit is about the cancellation of a joint stock company's board of directors' decision; and if the lawsuit is accepted, it cannot be ruled that the company should pay compensation.

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15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Operating lease arrangements

The Company as lessor

The Company signed a rent agreement with Türkiye Vakıflar Bankası T.A.O on 1 February 2011 for the lease full building which consist of basement, ground and five flat located in İzmir Aliağa. The amount of monthly rent is TRY24,994 + VAT as of 31 December 2016. The annual rent increases, at the end of the every year, is as the average of annual PPI and CPI which are announced at the third day of the new period by Turkish Statistical Institute.

The Company signed a rent agreement with Türkiye Vakıflar Bankası T.A.O on 1 February 2011 for the lease full building which consist of basement, ground and two flat located in İstanbul Fatih. The amount of monthly rent is TRY22,137 + VAT as of 31 December 2016. The annual rent increases, at the end of the every year, is as the average of annual PPI and CPI which are announced at the third day of the new period by Turkish Statistical Institute.

The Company signed a rent agreement with Türkiye Vakıflar Bankası T.A.O on 1 January 2005 for the lease business center located in Ankara Çankaya. The amount of monthly rent is TRY69,719 + VAT as of 31 December 2016. The annual rent increases, at the end of the every year, is as the average of annual PPI and CPI which are announced at the third day of the new period by Turkish Statistical Institute.

The Company signed a rent agreement with Türkiye Vakıflar Bankası T.A.O on 1 February 2011 for the lease full building which consist of basement, ground and seven flat located in Kütahya. The amount of monthly rent is TRY34,277 + VAT as of 31 December 2016. The annual rent increases, at the end of the every year, is as the average of annual PPI and CPI which are announced at the third day of the new period by Turkish Statistical Institute.

The Company signed a rent agreement with Vakıf Yatırım Menkul Değerler A.Ş. on 1 January 2007 for the lease business center located in İstanbul Beşiktaş. The amount of monthly rent is TRY83,757 + VAT as of 31 December 2016. The annual rent increases, at the end of the every year, is as the average of annual PPI and CPI which are announced by Turkish Statistical Institute.

The Company signed a rent agreement with Vakıf Finans Factoring A.Ş. on 9 October 2014 for the lease business center located in İstanbul Ümraniye. The amount of monthly rent is TRY22,817 + VAT as of 31 December 2016. The annual rent increases, at the end of the every year, is as the arithmetic average of annual PPI and CPI which are announced by Turkish Statistical Institute.

The Company as lessee

The Company signed a rent agreement with Burak Çilingir-Hilmi Fırat Çilingir to lease a business center located in İstanbul Ümraniye with effect from date on 1 September 2014. The amount of monthly rent is TRY47,288 + stoppage. The every annual rent increases is the arithmetic average of annual PPI and CPI on the same month of the previous year determined by Turkish Statistical Institute.

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16 PROVISIONS FOR EMPLOYEE BENEFITS

Short term provisions for employee benefits

As of 31 December 2016 and 31 December 2015, provisions for employee benefits are as follows:

	31 December 2016	31 December 2015
Provision for unused vacation	199,681	156,506
Provision for bonus	110,268	97,054
Total	309,949	253,560

The movement schedule of the unused vacation as of 31 December 2015 and 31 December 2014 is as follows:

	31 December 2016	31 December 2015
Balance at the beginning of the period - 1 January	156,506	70,004
Changes during the period	43,175	88,835
Payment	-	(2,333)
At the end of the period - 31 December	199,681	156,506

Long term employee benefits

Under the Turkish Labour Law, the Company is required to pay employment termination benefits to each employee who has qualified for such benefits as the employment ended. Also, employees entitled to a retirement are required to be paid retirement pay in accordance with Law No: 2422 dated 6 March 1981 and No: 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code No: 506. Some transitional provisions related with retirement prerequisites have been removed due to the amendments in the relevant law on May 23, 2002.

The amount payable consists of one month’s salary limited to a maximum of TRY4,426 for each period of service as of 31 December 2016 (31 December 2015: TRY4,093). The retirement pay provision ceiling is revised semi-annually, and TRY 4,426 which is effective from 1 January 2017, is taken into consideration in the calculation of provision for employment termination benefits. Liability of employment termination benefits is not subject to any funding as there isn’t an obligation. Provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 “Employee Benefits” requires actuarial valuation methods to be developed to estimate the Company’s obligation under the defined benefit plans. The following actuarial assumptions are used in the calculation of the total liability. Actuarial loss/ (gain) is accounted in “Remeasurement of the employment termination benefits” in comprehensive income statement.

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16 PROVISIONS FOR EMPLOYEE BENEFITS (Continued)

As of 31 December 2016 and 31 December 2015 the liability is calculated using the following assumptions:

	31 December 2016	31 December 2015
Discount rate	4.25%	3.97%
Estimated retirement turnover rate	91.88%	93.19%

As of 31 December 2016 and 31 December 2015, movement of provision for employee termination benefits is as follows:

	31 December 2016	31 December 2015
Opening balance - 1 January	136,863	112,808
Interest cost	19,798	13,974
Service cost	33,081	19,139
Actuarial gain	(1,184)	(9,058)
Closing balance - 31 December	188,558	136,863

17 OTHER CURRENT LIABILITIES, OTHER NON-CURRENT LIABILITIES AND DEFERRED INCOME

Other current liabilities

As of 31 December 2016 and 2015, other current liabilities of the Company are as follows:

	31 December 2016	31 December 2015
Expense accruals (*)	2,304,370	4,310
Taxes payable and other duties	854,772	509,604
Total	3,159,142	513,914

(*) TRY2,250,000 of taxes payable and other duties amounting to TRY2,304,370 consists of payments to be proceeded in the first quarter of 2017, following "Milletin Meclisini Millet Yapar" construction consortium agreement and TRY54,370 consists of other liabilities.

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17 OTHER CURRENT LIABILITIES, OTHER NON-CURRENT LIABILITIES AND DEFERRED INCOME (Continued)

Deferred revenue

As of 31 December 2016 and 31 December 2015, non-current deferred revenue of the Company is as follows:

	31 December 2016	31 December 2015
Deferred revenue (*)	157,171,516	32,939,539
Total	157,171,516	32,939,539

(*) As of 31 December 2016 deferred income amounting to TRY157,171,516 consist of advances taken according to agreement for Bizimtepe Aydos project, it is accounted under the non-current liabilities as deferred income since the project will be completed in 2018.

18 CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid in capital

As of 31 December 2016 and 31 December 2015, the Company's capital structure is as follow according to Central Securities Depository:

	Class	31 December 2016		31 December 2015	
		Capital rate (%)	Capital amount	Capital rate (%)	Capital amount
Vakıfbank	A	15.32	32,635,170	15.32	31,470,722
	B	23.38	49,801,180	23.38	48,024,226
TOKİ	A	9.05	19,284,418	9.05	18,596,336
	B	5.58	11,867,339	5.58	11,443,901
Vakıfbank Personeli Özel Sosyal Güv. Hiz. Vakfi	A	5.57	11,867,335	5.57	11,443,899
	B	4.03	8,581,972	4.03	8,275,760
Vakıfbank Memur ve Hizmet Em. San. Vakfi	A	2.79	5,993,667	2.79	5,721,949
	B	6.09	12,977,069	6.09	12,514,037
Other	A	2.79	5,933,668	2.78	5,721,950
	B	25.40	54,118,182	25.41	52,187,220
Total		100	213,000,000	100	205,400,000
Effects of inflation adjustments			21,599,008		21,599,008
Total			234,599,008		226,999,008

The Company shares are issued into two type of Groups; Group A and Group B. The Group A shares have 15 right to vote, Group B shares have 1 right to vote for election of Board of Directors.

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18 CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

Share premium

	31 December 2016	31 December 2015
Share premium	237,393,491	237,393,491
Share premium Inflation adjustments	9,337,858	9,337,858
Total	246,731,349	246,731,349

With the Company's Board of Directors' decision no. 12, dated 13 March 2014, it was resolved that the Company's issued capital of TRY 106,200,000 increased to TRY 212,400,000 without any limit on the current shareholders' pre-emptive rights and by covering all of them in cash within the scope of the registered capital cap of TRY 300,000,000. The shares with a nominal value of TRY 9,080,206, which cannot be sold, were cancelled on 29 May 2014. As of 27 June 2014, the capital registration processes started and as of 4 July 2014 the capital was registered.

As a result of the share capital registration processes, the capital was increased from TRY 106,200,000 to TRY 203,319,794 and share issuance premiums were increased from TRY 9,759,034 to TRY 246,731,349.

At the Company's Board of Directors' meeting, dated 15 April 2015, it was resolved that TRY 203,319,794 of the capital that the company issued within its current registered capital cap of TRY 300,000,000 increased to TRY 205,400,000 and that the increased amount, totalling TRY 2,080,206, covered by the previous years' profits. The capital increase transactions were completed by registration on 27 May 2015.

The shareholders of the Company, Türkiye Vakıflar Bankası T.A.O and Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, during the capital increase from TRY 106,200,000 to TRY 203,319,794, they increased their share from 27.63% to 38.70% and 3.33% to 8.88% ,respectively and these transactions were registered on 19 March 2015.

With the Company's Board of Directors' decision no. 54, dated 27 August 2015, it was decided that the registered capital cap should be increased from TRY 300,000,000 to TRY 500,000,000 and it was registered on 3 November 2015.

As a result of Company's Board of Directors' meeting, dated 15 April 2016, it was resolved that, according to the dividend distribution policy and articles of association of the Company, within the scope of capital markets legislation, TRY 7,600,000 of the net profit, amounting to 3.70% of the paid in capital, are distributed as bonus shares and the Company applies to Capital Markets Board related to this. The capital increase transactions were registered on 1 June 2016. As a result of these capital increase transactions, the capital increased from TRY 205,400,000 to TRY 213,000,000.

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18 CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

Restricted reserves

As of 31 December 2016 and 31 December 2015, restricted reserves are consist of legal reserves.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve balance reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

Other Comprehensive Income Not To Be Reclassified To Profit Or Loss

The Amendment in TAS-19 "Employee Benefits" does not permit the actuarial gain/loss considered in the calculation of provision for employee termination benefits to be accounted for under the statement of income as of 1 January 2013. The gains and losses arising from the changes in the actuarial assumption amounting to TRY19,872 (31 December 2015: TRY18,688) have been accounted for by "Revaluation Funds" under the equity as of 31 December 2016.

Dividend distribution

As per the Capital Market Board's decision no. 2/51, dated 27 January 2010, there is no obligation for the publicly held joint stock companies to distribute the minimum profit which was derived from their operations. Accordingly, the joint stock corporations that will distribute profit may perform this distribution in cash, by distributing the shares to be issued free of charge by adding dividend to the share capital, or by distributing a certain amount of cash and a certain amount of free of charge shares depending on the decision made at the Company's general assembly. If the first dividend amount is less than 5% of the current issued/paid-in capital, the said amount may remain at the corporation. However, the joint stock corporations that increased capital without distributing dividends for the previous period, and which therefore categorize their shares as "former" and "current", should distribute dividend from the period profit obtained as a result of their operations and should distribute the first dividend in cash.

In this context; according to the decision of CMB, the net distributable profit that is calculated per CMB's minimum profit distribution requirements will be wholly distributed if it is met by the net distributable profit of statutory records, if the amount per CMB is not met by statutory records, the amount to be distributed will be limited to the amount at the statutory records. If losses are incurred in either of CMB or statutory financial statements, no profit will be distributed.

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19 SALES AND COST OF SALES

Sales and cost of sales for the year ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
<i>Income from operating activities</i>		
Rent income	3,094,415	2,950,927
Total revenue	3,094,415	2,950,927
Cost of sales	(799,181)	(1,002,889)
Gross profit	2,295,234	1,948,038

Cost of the sales for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Real estate tax expenses	435,831	642,741
Rent expenses	273,798	257,611
Insurance expenses	29,607	13,523
Maintenance and repairment expenses	5,269	48,975
Other	54,676	40,039
Total	799,181	1,002,889

20 MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

Marketing expenses for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Sales commissions expenses	2,722,845	-
Advertisement expenses	1,468,668	-
Personnel expenses	43,182	-
Other expenses	416,395	-
Total	4,651,090	-

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20 MARKETING AND GENERAL ADMINISTRATIVE EXPENSES (Continued)

General administrative expenses for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Personnel expenses	3,520,603	2,973,522
Donation expenses (*)	3,000,000	-
Social responsibility project expense (**)	3,000,000	-
Operational lease expenses	410,697	386,417
Outsourced service expenses	388,806	411,136
Depreciation and amortization	174,186	168,566
Advertisement expenses	24,859	1,798
Tax expenses	6,966	401,585
Other expenses	586,076	362,721
Total	11,112,193	4,705,745

(*) Donation and aid expenses amounting to TRY3,000,000 consists of donations made within the scope of “1915 Çanakkale Panorama Museum Project” to be built in Sancaktepe district.

(**) Social responsibility project expense amounting to TRY3,000,000 consists of costs within the scope of “Milletin Meclisini Millet Yapar” construction consortium agreement signed on 23 August 2016.

Personnel expenses

	31 December 2016	31 December 2015
Wages and salaries of employee	1,848,211	1,488,619
Wages and salaries of Board of Directors	562,166	532,588
Accrued expense and payment for the premiums	515,719	433,847
Social security premiums	312,988	231,924
Unused vacation expense, net	43,175	88,835
Employment termination benefit expense	33,081	19,139
Other	205,263	178,570
Total	3,520,603	2,973,522

21 OTHER OPERATING INCOME

Other Operating Income

Other operating income for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Fair value gain on investment securities	26,977,287	45,717,315
Other	146,872	117,434
Total	27,124,159	45,834,749

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22 EXPENSES BY NATURE

Breakdown of depreciation and amortization expense for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
General administrative expense (Note 20)	174,186	168,566
Total	174,186	168,566

23 INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income and expense from investing activities for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Interest income from bank bonds	1,201,097	1,271,222
Income from investment funds	42,730	23,375
Gain on sale of investment properties	-	199,704
Other		(142)
Total	1,243,827	1,494,159

24 FINANCE INCOME/EXPENSE

Finance expense for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Bank charges and commission expenses	259,782	141,695
Interest expense	22,709	52,714
Share capital increase expense	28,883	15,252
Total	311,374	209,661

Finance income for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Interest income from bank	27,836,262	29,782,187
Total	27,836,262	29,782,187

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25 TAX ASSETS AND LIABILITIES

The Company is exempted of corporate income tax pursuant to subparagraph d-4 of article 5 of the Corporate Tax Law. Even if the revenues of real estate investment trusts are subject to withholding tax pursuant to subparagraph 6-a of article 94 of the Income Tax Law, the withholding rate was determined as "0" in the decision of the Council of Ministers numbered 93/5148. Therefore, the Company has no tax liability related to its revenues in the relevant period.

26 EARNINGS PER SHARE

Earnings per share are determined by dividing net comprehensive income by the weighted average number of shares that have been outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro rata distribution of their shares ("Bonus Shares") to existing shareholders funded from retained earnings or other reserves. For the purpose of earnings per share computations, such Bonus Share issuances are regarded as issued shares for all periods presented and accordingly the weighted average number of shares used in earnings per share computations in prior periods is adjusted retroactively for the effects of these shares, issued without receiving cash or another consideration from shareholders. In case of increase in issued stock after balance sheet date but before the date that financial statement is prepared due to the bonus share distribution, earning per share calculation is performed taking account of total new share amount.

	31 December 2016	31 December 2015
Profit for the period	42,424,825	74,143,727
Weighted average number of shares	213,000,000	213,000,000
Earning per share	0.1992	0.3481

27 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. The Company has exposure to the following risks from its operations:

- credit risk,
- liquidity risk,
- market risk,
- operational risk.

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27 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk

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

As of 31 December 2016 and 31 December 2015, credit risk exposure of financial assets is as follows:

	Receivables				Deposits on bank	Financial investment	Other	Total
	Trade receivables		Other receivables					
	Related party	Other party	Related party	Other party				
31 December 2016								
Exposure to maximum credit risk as of reporting date (A+B+C+D)	-	39,964,352	4,864	11,138,546	99,226,401	87,633,713	1,358,054	239,325,930
- Secured portion of the maximum credit risk by guarantees, etc.	-	-	-	-	-	-	-	-
A.) Net book value of financial assets that are either not due or not impaired	-	38,711,760	4,864	11,138,546	99,226,401	87,633,713	1,358,054	238,073,338
B.) Net book value of the expired but not impaired financial assets	-	1,252,592	-	-	-	-	-	1,252,592
C.) Net book value of impaired assets								
- Overdue (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-	-
D.) Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

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27 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2015	Receivables				Deposits on bank	Financial investment	Other	Total
	Trade receivables		Other receivables					
	Related party	Other party	Related party	Other party				
Exposure to maximum credit risk as of reporting date (A+B+C+D)	-	9,999,077	9,500	3,077,415	241,080,094	-	310,031	254,476,117
- Secured portion of the maximum credit risk by guarantees, etc.	-	-	-	-	-	-	-	-
A.) Net book value of financial assets that are either not due or not impaired	-	9,999,077	9,500	3,077,415	241,080,094	-	310,031	254,476,117
B.) Net book value of the expired but not impaired financial assets	-	-	-	-	-	-	-	-
C.) Net book value of impaired assets	-	-	-	-	-	-	-	-
- Overdue (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Secured portion of the net value by guarantees, etc.	-	-	-	-	-	-	-	-
D.) Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

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**27 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

31 December 2016	Total
0-3 months overdue	774,108
More than 3 months overdue	478,484
Total	1,252,592

Liquidity risk

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

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

Contract terms

31 December 2016	Carrying value	Total of contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Short term financial liabilities (Non-derivative):						
Trade payables	1,104,267	1,104,267	1,104,267	-	-	-
Other payables and liabilities	2,387,426	2,387,426	2,379,711	-	7,715	-
Other short term payables and liabilities	3,159,142	3,159,142	3,159,142	-	-	-
Total	6,650,835	6,650,835	6,643,120	-	7,715	-

Contract terms

31 December 2015	Carrying value	Total of contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
Short term financial liabilities (Non-derivative):						
Trade payables	208,525	208,525	208,525	-	-	-
Financial liabilities	108,713	109,339	109,339	-	-	-
Other payables and liabilities	189,604	189,604	189,604	-	-	-
Other short term payables and liabilities	513,914	513,914	4,310	509,604	-	-
Total	1,020,756	1,021,382	511,778	509,604	-	-

As of 31 December 2016 and 31 December 2015, the Company does not have any derivative financial liabilities.

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**27 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

Market Risk

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

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

Foreign currency risk

As of 31 December 2016 and 31 December 2015, the Company does not have any exchange risk due to there is no any transaction with foreign currency.

Interest rate risk

The Company is exposed to interest rate risk due to interest bearing assets and liabilities.

As of 31 December 2016 and 31 December 2015, the Company does not have a financial instruments sensitive to variable interest rates, financial instruments sensitive to fixed interest rate of the Company is as follows:

<i>Financial instruments with fixed interest rates</i>	31 December 2016	31 December 2015
Financial assets	187,921,759	240,555,922
<i>Time deposits</i>	99,063,551	240,555,922
<i>Financial investments</i>	87,633,713	-
<i>Investment funds</i>	1,224,495	-
Financial liabilities	-	108,713

Weighted average interest rates which are applied to financial instruments as of 31 December 2016 and 31 December 2015 are as follows:

<i>Financial instruments</i>	<u>31 December 2016</u>		<u>31 December 2015</u>	
Banks time deposits	TRY	10.21%	TRY	13.51%
Financial investments	TRY	9.49%	-	-
Financial liabilities	-	-	TRY	9.98%

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**27 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS
(Continued)**

Capital risk management

The Company manages capital by using effective portfolio management to reduce the risk of investment. The main objectives of the Company are to continue operations with generating revenue, to secure the benefits of the shareholders, cost of capital and to continue the optimum level of net liabilities/equity and to achieve the efficient capital structure continuity. When the company manages the capital, the Company aims to provide returns to shareholders and to reduce cost of capital, to maintain optimal capital structure by protecting Company’s operation ability.

	31 December 2016	31 December 2015
Total liabilities	164,320,858	34,350,718
Cash and cash equivalents	(100,586,329)	(241,392,716)
Net debt	63,734,529	(207,041,998)
Equity	864,982,812	822,556,803

Operational risk

Operational risk is the risk of direct or indirect risk arising from a wide variety of causes associated with the Company’s processes, personnel, technology and infrastructure, and except from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company’s operations.

The Company’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage. In this context, the Company has determined internal processes and controls in the following:

- requirements for appropriate segregation of duties, including the independent authorization of transactions,
- requirements for the reconciliation and monitoring of transactions,
- compliance with regulatory and other legal requirements,
- documentation of controls and procedures,
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified,
- requirements for the reporting of operational losses and proposed remedial action development of contingency plans,
- training and professional development,
- ethical and business standards,
- risk mitigation, including insurance where this is effective.

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28 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets

The Company assumes that the carrying value of cash equivalents are close to their fair value because of their short-term nature and insignificant amount of impairment risk.

Appraiser report values are used to determine the fair values of the investment properties which are shown in based on the fair values in the balance sheet.

It is assumed that the carrying values of the trade receivables reflect the fair values.

Financial liabilities

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

Liabilities from finance lease

<u>Carrying value</u>		<u>Fair value</u>	
<u>31 December 2016</u>	<u>31 December 2015</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
-	108,713	-	96,503

Classification of Fair Value Measurement

“TFRS 13 - Financial Instruments requires” the classification of fair value measurements into a fair value hierarchy by reference to the observability and significance of the inputs used in measuring fair value of financial instruments measured at fair value to be disclosed. This classification basically relies on whether the relevant inputs are observable or not. Observable inputs refer to the use of market data obtained from independent sources, whereas unobservable inputs refer to the use of predictions and assumptions about the market made by the Company.

- First level: The fair value of financial assets and financial liabilities are determined with reference to actively trade market price.
- Second level: The fair value of financial assets and financial liabilities are evaluated with reference to imputes that used to determine directly or indirectly observable price in market.
- Third level: The fair value of financial assets and financial liabilities are evaluated with reference to imputes that used to determine fair value but not relying on observable data in the market.

Classification requires using observable market data if possible.

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28 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

31 December 2016	Level 1	Level 2	Level 3	Total
<i>Cash and cash equivalents:</i>				
Investment funds	1,224,495	-	-	1,224,495
<i>Financial investments:</i>				
Bank bond	68,131,700	19,502,013	-	87,633,713
<i>Investment properties:</i>				
Investment properties	-	608,971,758	-	608,971,758
Total	69,356,195	628,473,771	-	697,829,966
31 December 2015	Level 1	Level 2	Level 3	Total
<i>Investment properties:</i>				
Investment properties	-	514,245,000	-	514,245,000
Total	-	514,245,000	-	514,245,000

29 SUBSEQUENT EVENTS

As of 30 January 2017, the total tax receivables of the Company is amounting to TRY7,333,669. TRY2,880,428 of the TRY2,931,428 of the tax receivables related to the year 2014 has been collected from cash and the portion of TRY 50,714 has been offsetting.

30 SUPPLEMENTARY INFORMATION: COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS

As of 31 December 2016, presented information in accordance with Capital Markets Board’s Communiqué Serial: II, No: 14.1 “Financial Reporting in Capital Markets” Amendment No: 16 comprised condensed information and prepared in accordance with Capital Markets Board’s Communiqué Serial: III, No: 48.1 “Real Estate Investment Company” published in the Official Gazette dated 28 May 2013 numbered 28660 Capital Markets Board’s Communiqué Serial: III, No: 48.1a “Amendment on Real Estate Investment Company” published in the Official Gazette dated 23 January 2014 numbered 28891.

In this context, information related to total asset, total portfolio and control of compliance with the limitations are as follows as of 31 December 2016 and 31 December 2015:

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30 SUPPLEMENTARY INFORMATION: COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS (Continued)

Financial statements main account items		Related regulations	Current period	Previous period
A	Monetary and capital market instruments	Serial III-48.1a, Art.24/(b)	188,084,609	241,390,125
B	Real estates, projects based on real estates, rights based on real estates	Serial III-48.1a, Art.24/(a)	745,165,254	579,626,916
C	Subsidiaries	Serial III-48.1a, Art.24/(b)	-	-
	Due from related parties (non-trade)	Serial III-48.1a, Art.23/(f)	4,864	9,500
	Other assets		96,048,943	35,880,980
D	Total asset	Serial III-48.1a, Art.3/(p)	1,029,303,670	856,907,521
E	Financial liabilities	Serial III-48.1, Art.3/(k)	-	-
F	Other financial liabilities	Serial III-48.1, Art.31	-	-
G	Financial leasing obligations	Serial III-48.1, Art.31	-	108,713
H	Due to related parties (non trade)	Serial III-48.1a, Art.23/(f)	13,179	-
I	Equity	Serial III-48.1, Art.31	864,982,812	822,556,803
	Other liabilities		164,307,679	34,242,005
D	Total liabilities	Serial III-48.1, Art.3/(k)	1,029,303,670	856,907,521
Financial Information		Related regulations	Current period	Previous period
A1	The portion of money and capital market instruments held for payables of properties for the following 3 years	Serial III-48.1a, Art.24/(b)	-	-
A2	Time deposit/demand deposit/TRY/Foreign currency (*)	Serial III-48.1a, Art.24/(b)	99,226,401	241,080,094
A3	Foreign capital market instruments	Serial III-48.1a, Art.24/(d)	-	-
B1	Foreign properties, projects based on properties and rights based on properties	Serial III-48.1a, Art.24/(d)	-	-
B2	Idle lands	Serial III-48.1a, Art.24/(c)	205,926	205,926
C1	Foreign Subsidiaries	Serial III-48.1a, Art.24/(d)	-	-
C2	Investments in affiliated operating companies	Serial III-48.1a, Art.28/1/(a)	-	-
J	Non-cash loans	Serial III-48.1a, Art.31	120,873,076	71,407,495
K	Mortgage amounts on lands that project to be developed and the ownership does not belong the partnership	Serial III-48.1a, Art.22/(e)	-	-
L	Total investments of monetary and capital market instruments at one company (*)	Serial III-48.1a, Art.22/(1)	-	-

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30 SUPPLEMENTARY INFORMATION: COMPLIANCE CONTROL OF THE PORTFOLIO RESTRICTIONS (Continued)

Portfolio Restrictions	Related Regulation	Current period	Previous period	Max/Min Rate
1 Mortgage amounts on lands that project to be developed and the ownership does not belong the partnership	Serial III-48.1a, Art.22/(e)	-	-	Max 10%
2 Real estates, projects based on real estates, rights based on real estates	Serial III-48.1a, Art.24/(a),(b)	72.40%	67.64%	Min 51%
3 Monetary and capital market instruments	Serial III-48.1a, Art.24/(b)	18.27%	28.17%	Max 49%
4 Foreign properties, projects based on properties rights based on properties affiliates capital, market instruments	Serial III-48.1a, Art.24/(d)	-	-	Max 49%
5 Idle lands	Serial III-48.1a , Art.24/(c)	0.02%	0.02%	Max 20%
6 Subsidiaries (operating companies)	Serial III-48.1a , Art.28/1(a)	-	-	Max 10%
7 Borrowing limit	Serial III-48.1a , Art.31	13.98%	8.69%	Max 500%
8 TRY and foreign currency time and demand deposits (*)	Serial III-48.1a , Art.24/(b)	9.64%	28.13%	Max 10%
9 Total investments of monetary and capital market instruments at one company (*)	Serial III-48.1a Art.22/(1)	-	-	Max 10%

(*) Out of the limitations that it has to comply with within the scope of the provisions concerning the compliance with portfolio limitations of the "Communiqué on the Principles Regarding Real Estate Investment Trust" Serial No. III No. 48.1 promulgated in the Official Gazette No. 28660 on 28 May 2013, the company hasn't been in compliance with the limitations on "the foreign exchange deposit/ demand deposits/special current-participation account and the TRY deposit/participation account" as of 31 December 2015. The company applied in writing to the Capital Markets Board on 8 March 2016 and delivered detailed projections concerning the assets and projects currently in its portfolio. In the event that the money, which concerns the payments to be done in return for certain progressions and instalments related to the assets and projects in the portfolio in the Capital Markets Board's Corporate Investors Directorate's letter response dated 28 March 2016, is utilized in the deposit account, it was decided that these amounts will not be included in the maximum limit calculation specified for investment deposit and participation accounts mentioned in sub-paragraph (b) of paragraph one in Article 24 of the Communiqué. Also, the cash utilized in the deposit/participation account consist of the payments will not be evaluated within the scope of the 10% limit of the issuer mentioned in sub-paragraph (l) of the first paragraph of Article 22 of the Communiqué. As of 31 December 2016, there is no non-compliance within the scope of the maximum limit.

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