

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF
FINANCIAL STATEMENTS
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022
TOGETHER WITH 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 General Assembly of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.

A. Audit of the financial statements

1. Our opinion

We have audited the accompanying financial statements of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key audit matters

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



Key Audit Matters	How the key audit matter was addressed in the audit
<p>Investment properties carried at fair value</p> <p>The Company values its investment properties with the fair value method after the initial recognition, as described in Note 2.</p> <p>As of 31 December 2022, investment properties constitute 95% of the Company's total assets and have a total carrying value of TRY3.131.100.000.</p> <p>As of 31 December 2022, the fair values of investment properties determined independent valuation experts have been evaluated by management and these values were used as the fair values of the investment properties in the financial statements.</p> <p>“Market approach” and “income approach” methods are used in determining the fair value of investment properties.</p> <p>The valuation of the Company's investment properties involves significant areas of judgment and requires subjective assumptions. Important reasoning and assumptions can be directly affected by factors such as capitalization rate, discount rate, occupancy rates of leasable areas, rental income, and comparable sales prices per square meter.</p> <p>The fair values of investment properties have been determined by using the market value that determined by independent valuation experts with professional qualifications.</p> <p>Valuation of investment properties is determined as a key audit matter, since investment properties constitute a significant portion of assets and the valuation methods applied include significant estimates and assumptions.</p>	<p>Procedures:</p> <ul style="list-style-type: none"> - Assessing the valuer's competence, capability, objectivity and independence, - Assessing the valuation method applied by valuers, and the appropriateness of the assumptions used and valuation report, - Assessing whether inputs such as unit sales value that are significant on the property value included within the valuation report are in an acceptable range by comparing the consistency of the inputs with the observable market prices, - Testing the inputs used in the valuation reports, which are significant influences on the property value, such as rental income, duration of rental contracts, occupancy rates and expenses, - Assessing whether the assumptions used by the valuer in valuation such as the real discount rate, inflation rate are within acceptable ranges through involvement of our experts, - Reviewing compliance of the information in the appraisal report with the disclosures related to the fair value of investment properties.



4. Responsibilities of management and those charged with governance for the financial statements

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

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

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

5. Auditor's responsibilities for the audit of the financial statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 27 February 2023.

Additional explanation for convenience translation into English

Turkish Financial Reporting Standards differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of IAS 29 - Financial Reporting in Hyperinflationary Economies by 31 December 2022. Accordingly, the accompanying financial statements are not intended to present fairly the financial position and results of operations of the Company in accordance with IFRS.

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

Baki Erdal, SMMM
Partner

Istanbul, 27 February 2023

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AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2022 AND 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	31 December 2022	Restated (*) 31 December 2021	Restated (*) 31 December 2020
ASSETS				
Current assets		166,936,285	88,406,802	84,613,579
<hr/>				
Cash and cash equivalents	4	106,959,649	51,381,324	66,499,988
Financial investments				
<i>Financial assets measured at amortized cost</i>	24	44,839,173	26,660,235	3,004,243
Trade receivables				
<i>Receivables from third parties</i>	5	11,882,105	5,220,093	8,281,647
<i>Receivables from related parties</i>	5, 20	80,833	29,951	154,871
Prepaid expenses	10	1,399,603	3,535,652	4,528,978
Prepaid taxes and funds		565,687	494,164	341,263
Other current assets	10	1,209,235	1,085,383	1,802,589
Non-current assets		3,132,273,303	2,064,384,100	1,518,772,548
<hr/>				
Investment property	6	3,131,100,000	2,061,753,000	1,513,290,000
Tangible assets	7	39,354	53,200	228,413
Intangible assets		187,871	214,672	241,473
Prepaid expenses	10	179,770	1,234,061	3,801,346
Other non-current assets	10	766,308	1,129,167	1,211,316
Total assets		3,299,209,588	2,152,790,902	1,603,386,127

(*) Refer to note 2.2.2.

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2022 AND 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Audit 31 December 2022	Restated (*) 31 December 2021	Restated (*) 31 December 2020
LIABILITIES				
Current liabilities				
12,181,591				
4,758,807				
23,365,482				
Trade payables				
<i>Due to related parties</i>	5, 20	4,291,561	523,560	629,777
<i>Due to third parties</i>	5	125,520	193,001	133,968
Other payables				
<i>Due to related parties</i>		-	-	17,514,080
<i>Due to third parties</i>	5	4,099,277	2,096,694	335,196
Deferred income (Excluding liabilities from customer contracts)	10	1,411,640	709,784	3,651,114
Short-term provisions				
<i>Other short-term provisions</i>	8	178,691	181,691	181,691
<i>Provisions for employment termination benefits</i>	9	552,110	373,158	431,109
Other current liabilities	10	1,522,792	680,919	488,547
Non-current liabilities				
7,241,151				
3,039,007				
2,246,727				
Other payables				
<i>Other payables to third parties</i>	5	1,998,011	1,461,530	689,034
Long-term provisions				
<i>Provisions for employment termination benefits</i>	9	5,243,140	1,577,477	1,557,693
Equity				
3,279,786,846				
2,144,993,088				
1,577,773,918				
Share capital	11	37,264,000	37,264,000	37,264,000
Adjustment to share capital		27,745,263	27,745,263	27,745,263
Other comprehensive income/expense not to be reclassified to profit or loss				
<i>Actuarial gains/(losses) arising from employee benefits</i>		(3,890,854)	(428,527)	(658,882)
Restricted reserves		53,293,371	69,205,098	94,395,562
Retained earnings	11	1,917,935,461	1,362,082,599	1,335,652,795
Net income for the period	19	1,247,439,605	649,124,655	83,375,180
Total liabilities and equity				
3,299,209,588				
2,152,790,902				
1,603,386,127				

(*) Refer to note 2.2.2.

Financial statements for the 1 January - 31 December 2022 have been approved by the Board of Directors on 27 February 2023. These financial statements shall be approved by the General Assembly.

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF STATEMENTS OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED
31 DECEMBER 2022 AND 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	1 January – 31 December 2022	Restated (*) 1 January - 31 December 2021
PROFIT AND LOSSES			
Revenue	12	222,949,958	120,661,663
Cost of sales (-)	12	(51,222,683)	(25,580,653)
Gross profit	12	171,727,275	95,081,010
General administrative expenses (-)	13	(13,712,938)	(7,841,211)
Other operating income	15	1,406,903	636,129
Other operating expenses (-)	15	(3,649,028)	(3,985,569)
Operating profit		155,772,212	83,890,359
Income from investing activities	16	1,064,680,742	545,708,052
Operating profit before financial activities		1,220,452,954	629,598,411
Financial income	17	28,814,290	25,867,294
Financial expenses (-)	17	(1,827,639)	(6,341,050)
Profit before tax from continuing operations		1,247,439,605	649,124,655
Tax income/(expenses) from continuing operations		-	-
Profit for the period from continuing operations	19	1,247,439,605	649,124,655
Earnings per share			
Earnings per share from continuing operations	19	33.48	17.42
Earnings per share from discontinuing operations		-	-
Diluted earnings per share			
Diluted earnings per share from continuing operations	19	33.48	17.42
Diluted earnings per share from discontinuing operations		-	-
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss			
Actuarial gains/(losses) arising from employee benefits	9	(3,462,327)	75,315
Total comprehensive income		1,243,977,278	649,199,970

(*) Refer to note 2.2.2.

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2022 AND 31 DECEMBER 2021

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	Share capital	Adjustment to share Capital	Other comprehensive income/expense not to be reclassified to profit or loss Actuarial gain / (loss) arising from employee benefits	Restricted reserves	Retained Earnings	Accumulated profit Net profit for the period	Total Equity
Balance as at 1 January 2021 (Before restatement)		37,264,000	27,745,263	(658,882)	94,395,562	24,518,963	56,870,007	240,134,913
The effect of restatement(*)		-	-	-	-	1,311,133,832	26,505,173	1,337,639,005
Balance as at 1 January 2021 (Restated)(*)		37,264,000	27,745,263	(658,882)	94,395,562	1,335,652,795	83,375,180	1,577,773,918
Transfers		-	-	155,040	(25,190,464)	108,410,604	(83,375,180)	-
Dividends		-	-	-	-	(81,980,800)	-	(81,980,800)
Total comprehensive income		-	-	75,315	-	-	649,124,655	649,199,970
31 December 2021	11	37,264,000	27,745,263	(428,527)	69,205,098	1,362,082,599	649,124,655	2,144,993,088
Balance as at 1 January 2022 (Before restatement)		37,264,000	27,745,263	(428,527)	69,205,098	24,443,594	94,818,323	253,047,751
The effect of restatement(*)		-	-	-	-	1,337,639,005	554,306,332	1,891,945,337
Balance as at 1 January 2022 (Restated)(*)		37,264,000	27,745,263	(428,527)	69,205,098	1,362,082,599	649,124,655	2,144,993,088
Transfers		-	-	-	(15,911,727)	665,036,382	(649,124,655)	-
Dividends (**)		-	-	-	-	(109,183,520)	-	(109,183,520)
Total comprehensive income		-	-	(3,462,327)	-	-	1,247,439,605	1,243,977,278
31 December 2022	11	37,264,000	27,745,263	(3,890,854)	53,293,371	1,917,935,461	1,247,439,605	3,279,786,846

(*) Refer to note 2.2.2.

(**) The Company has decided to distribute dividends to the shareholders amounting to TRY109,183,520 at the Ordinary General Assembly Meeting held on March 28, 2022. In line with this decision, the first installment amounting to TRY84,961,920 is distributed in cash to the shareholders on April 4 2022, the second installment amounting to TRY24,221,600 is distributed in cash to shareholders on 10 August, 2022.

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

**CONVENIENCE TRANSLATION OF THE STATEMENTS OF
CASH FLOWS FOR THE YEARS ENDED
31 DECEMBER 2022 AND 31 DECEMBER 2021**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

	Notes	1 January - 31 December 2022	Restated (*) 1 January - 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES		158,090,978	81,415,864
Profit for the year		1,247,439,605	649,124,655
Adjustments to profit/(loss) for the year		(1,075,913,098)	(551,993,804)
Adjustments for depreciation and amortization expenses	14	68,823	216,569
Adjustments for impairment loss	5	(100,009)	(137,691)
Adjustments for provisions		423,136	120,551
Adjustments for interest (income)/expenses	17	(11,355,322)	(5,730,297)
Other adjustments for non-cash items		(239,008)	(737,611)
Fair value gain on investment properties, net	16	(1,064,680,742)	(545,708,052)
Adjustments for gains resulting from the disposal of fixed assets	15	(29,976)	(17,273)
Change in working capital		(12,933,777)	(15,344,554)
Adjustments for decrease/(increase) in trade receivables			
<i>Decrease/(increase) in trade receivables from related parties</i>	5	(50,882)	124,920
<i>Decrease/(increase) in trade receivables from third parties</i>	5	(6,562,003)	3,199,245
(Increase)/decrease in other assets related to operations		3,616,829	4,962,387
Adjustments regarding (decrease)/increase in trade payables			
<i>Increase/(decrease) in trade payable from related parties</i>	5	3,768,001	(106,217)
<i>Increase/(decrease) in trade payable from third parties</i>	5	(67,481)	59,033
Increase/(decrease) in financial investments	24	(18,178,938)	(23,655,992)
Increase/(decrease) in other liabilities related to operations		4,540,697	72,070
Cash provided from operations		158,592,730	81,786,297
Employment termination benefit payments	9	(501,752)	(370,433)
CASH FLOWS FROM INVESTING ACTIVITIES		6,627,965	2,958,070
Interest received		11,292,423	5,710,300
Cash outflows from the purchase of tangible and intangible assets	7	(599,895)	(14,555)
Cash inflows from the sale of tangible and intangible assets		500,000	-
Cash inflows from the sale of investment property		101,695	80,000
Cash outflows from the purchase of investment property	6	(4,666,258)	(2,817,675)
CASH FLOWS USED IN FINANCING ACTIVITIES		(109,183,520)	(99,494,880)
Dividends paid		(109,183,520)	(99,494,880)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		55,535,423	(15,120,946)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	51,361,327	66,482,273
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	106,896,750	51,361,327

(*) Refer to note 2.2.2.

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

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

The main activity of Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş. (the “Company”) is to create value through the ownership of real estate investment property. The address of the Company is as follows:

Kültür Mah. Nispetiye Cad. Akmerkez No:56 E-3 Kule Kat:1 Etiler/Beşiktaş/İstanbul-Türkiye.

The trade name “Akmerkez Gayrimenkul Yatırımı A.Ş.” has been changed as “Akmerkez Gayrimenkul Yatırım Ortaklığı A.Ş.” in the Extraordinary Shareholders Meeting held on 17 February 2005 and this change has been registered on 24 February 2005 by the Ministry of Trade.

With respect to the Board Decision dated 21 June 2005, the trade name of the Company is set as “Akmerkez Alışveriş Merkezi” and this name is certified by the Istanbul Trade Registry as at 1 July 2005.

The Company’s shares have been quoted on the Istanbul Stock Exchange (“ISE”) since 15 April 2005 and 57.34% of these shares are publicly quoted shares as of 31 December 2022.

The shareholding structure as of 31 December 2022 and 31 December 2021 is as follows:

Shareholders	31 December 2022	31 December 2021
Akkök Holding A.Ş.	11.67%	11.67%
Tekfen Holding A.Ş.	10.47%	10.47%
Public offering (*)	57.34%	57.34%
Other (**)	20.52%	20.52%
Total	100%	100%

(*) 44.85% of public offering shares belong to Klepierre S.A. as of 31 December 2022 (31 December 2021: 45.93%).

(**) Other represents shareholders with less than 10% shareholdings.

The average number of personnel during the period by categories is as follows:

	31 December 2022	31 December 2021
Administrative	7	6

**CONVENIENCE TRANSLATION OF THE NOTES TO THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Accounting standards

The accompanying financial statements are prepared in accordance with Communiqué Serial II. No:14.1. “Principles of Financial Reporting in Capital Markets” (“the Communiqué”) of Capital Market Board (“CMB”) published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué financial statements are prepared in accordance with the Turkish Accounting Standards (“TAS”) issued by Public Oversight Accounting and Auditing Standards Authority (“POAASA”). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards (“TFRS”) and its addendum and interpretations (“TFRIC”).

The financial statements of the Company are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year’s financial statements.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the Company have been prepared accordingly.

The Company maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code (“TCC”) tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB Foreign Subsidiaries. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

Adjustment of Financial Statements During Hyper-Inflationary Periods

With the decision taken on 17 March 2005 the CMB announced that effective from 1 January 2005 for companies operating in Turkey and preparing their financial statements in accordance with CMB Financial Reporting Standards the application of inflation accounting is no longer required. Accordingly, IAS 29, “Financial Reporting in Hyperinflationary Economies” issued by the IASB has not been applied in the financial statements for the accounting periods starting 1 January 2005.

Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the repeated Article 298 are met.

POA made an announcement on January 20, 2022 in order to eliminate the hesitations about for the entities which apply Turkish Financial Reporting Standards (“TFRS”) will apply TAS 29, “Financial Reporting in Hyperinflationary Economies” (IAS 29 Financial Reporting in Hyperinflationary Economies) or not for the year ended 31 December 2022. In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29 - Financial Reporting in Hyperinflationary Economies, afterwards, no new statement was made by the POA about the TMS 29 application. As of the preparation date of the financial statements, POA did not make an additional announcement and no adjustment was made to the financial statements in accordance with TAS 29.

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(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

2.1.1 Accounting standards (Continued)

Functional and presentation currency

Items included in the financial statements 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.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Going concern

The Company has prepared the financial statements for the period 1 January - 31 December 2022 in accordance with the going concern principle.

2.1.2 Compliance with portfolio restrictions

The information included in Note 26 “Supplementary Note: Control of Compliance with Portfolio Restrictions” represent a condensed information based on the figures extracted from the financial statements that are prepared in accordance with serial II No:14.1 “Article 17 of Communiqué on Principals of Financial Reporting in Capital Markets” of the CMB. This condensed information has been prepared in accordance with the requirements of Serial III No:48.1 “Principals of The Real Estate Investment Trusts” of the CMB particularly relating to the principles regarding the control of compliance to portfolio restrictions.

2.2. Changes in Accounting Policies

2.2.1 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at 31 December 2022 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2022.

a) Standards, amendments, and interpretations applicable as of 31 December 2022:

- **Amendment to TFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to TFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2. Changes in Accounting Policies (Continued)

2.2.1 The new standards, amendments and interpretations (Continued)

- **A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16;** effective from annual periods beginning on or after 1 January 2022.
 - **Amendments to TFRS 3,** ‘Business combinations’ update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - **Amendments to TAS 16,** ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - **Amendments to TAS 37,** ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to TFRS 1, ‘First-time Adoption of TFRS’, TFRS 9, ‘Financial Instruments’, TAS 41, ‘Agriculture’ and the Illustrative Examples accompanying TFRS 16, ‘Leases’.

b. Standards, amendments, and interpretations that are issued but not effective as of 31 December 2022:

- **Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to TAS 12 - Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **Amendment to TFRS 16 - Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in TFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2. Changes in Accounting Policies (Continued)

2.2.1 The new standards, amendments and interpretations (Continued)

- **Amendment to TAS 1 - Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **TFRS 17, 'Insurance Contracts', as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The company evaluates the effects of the aforementioned standard changes and will apply them as of the effective date.

2.2.2 Comparative information and reclassifications in the previous period's financial statements

The Company's financial statements have been prepared comparatively with the prior period in order to allow determination of the financial position and performance trends. Reclassifications can be made in comparative information in order to conform with the presentation of the current period financial statements. When the presentation or classification of the items of the financial statements changes, in order to ensure comparability, the financial statements of the previous period are reclassified accordingly and explanations are made regarding these issues.

The Company begun to measure investment properties at fair value method in current period. The financial statement for the investment property of the Company is restated retrospectively as follows:

	31 December 2021	Restated 31 December 2021
Investment properties	169,807,663	2,061,753,000
Net profit for the period	94,818,323	649,124,655
Cost of sales (-)	(34,178,933)	(25,580,653)
Income from investing activities	-	545,708,052
Retained earnings	24,443,594	1,362,082,599
Earnings per share	2.54	17.42

	31 December 2020	Restated 31 December 2020
Investment properties	175,650,995	1,513,290,000
Net profit for the period	56,870,007	83,375,180
Cost of sales (-)	(31,085,545)	(22,382,242)
Income from investing activities	-	17,801,872
Retained earnings	24,518,963	1,335,652,795
Earnings per share	1.53	2.24

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

(Amounts expressed in Turkish lira (“TRY”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Restatement and The Errors in The Accounting Estimates

Material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods. For the period 1 January - 31 December 2022 there has been no change in the accounting estimates.

2.4 Summary of Significant Accounting Policies

The significant accounting policies followed in the preparation of the financial statements are summarized below:

Financial assets

Classification

The Company classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase. Financial assets are not reclassified after initial recognition, except where the business model of the Company is subject to change in the management of financial assets. In the case of business model change; the financial assets are reclassified on the first day of the following the change reporting period.

Recognition and Measurement

“Financial assets measured at amortized cost”, are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Company’s financial assets measured at amortized cost comprise “cash and cash equivalents”, “trade receivables” and “other receivables”. Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the statement of income.

“Financial assets measured at fair value through other comprehensive income”, are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings. The Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under statement of income.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

“Financial assets measured at fair value through profit or loss”, are assets that are not measured at amortized cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the statement of income.

Derecognition

The Company derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Company was recognized as a separate asset or liability.

Impairment

The Company chooses the simplified application for impairment calculations and uses the provision matrix, since its trade receivables that are accounted for at amortized cost in the financial statements do not contain a significant financing component. With this application, the Company measures the expected credit loss allowance at an amount equal to lifetime expected credit losses, in cases where trade receivables are not impaired for certain reasons. In the calculation of expected credit losses, past credit loss experiences are taken into consideration, as well as the Company's expectations for the future.

Trade Receivables

Trade receivables are carried at amortized rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. The Company has preferred to apply “simplified approach” for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, the Company measures the loss allowances regarding its trade receivables at an amount equal to “lifetime expected credit losses” except incurred credit losses in which trade receivables are already impaired for a specific reason.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

Unearned finance income/expense due to commercial transactions are accounted for under “Other Operating Income/Expenses” in the statement of income or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months and conversion risk on value at the date of sale is immaterial.

Related parties

A party is related to an entity if the party is a legal body or a real person which directly or indirectly controls, is controlled by, or is under common control with the entity, has an interest in the entity that gives it significant influence over the entity, and if the party is a subsidiary, an affiliate or a joint venture in which the entity is a venture. Furthermore, members of the key management personnel of the entity, close members of the family of any individual referred to above, and parties representing post-employment benefit plan for the benefit of employees of the entity are also defined as related parties.

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(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Trade payables

Trade payables are payables that occur as a result of directly purchasing goods and services from sellers. Trade payables and other obligations are shown after netting off the unaccrued financing expenses. Trade payables and other obligations after unaccrued financing expenses are calculated by discounting the amounts due of payable recorded invoice amounts using the "effective interest method". Short-term payables for which an interest rate was not determined are shown based on cost value when the original effective interest rate does not have a big effect.

Financial liabilities and borrowing costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method in financial statements. Starting from 1 January 2009 requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset, removing the option of immediately expensing borrowing costs.

Current and deferred income taxes

The Corporate Tax Law No: 5520 was amended on June 21, 2006 with the Law announced in the Official Journal No 26205. The majority of the clauses of Law No 5520 are effective as of 1 January 2006. In accordance with the temporary article 13 added to the Corporate Tax Law with the Law No. 7061 on the "Law on the Collection Procedure of Public Claims and Amendments to Certain Laws", which was published in the Official Gazette dated April 22, 2021, the corporate tax rate was increased to 23% for 2022 (2021: 25%). The corporate tax rate is applied on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, and investment allowance, etc.) and corporate income tax deductions. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding (Reserving the provisions of the Double Taxation Avoidance Agreement) tax at the rate of 15%. (With the Presidential Decision No. 4936 published in the Official Gazette dated 22 December 2021, the dividend withholding tax rate was reduced from 15% to 10%). An increase in capital via issuing bonus shares is not considered as a profit distribution.

The Company is exempt from corporate income tax in accordance with paragraph d-4 of Article 5 of the Corporate Income Tax Law and in accordance with paragraph 6-a of Article 94 of the Income Tax Law, the earnings of the real estate investment trusts are subject to withholding taxes, According to the Council of Ministers decision, No: 93/5148, the withholding tax rate is determined as "0".

Deferred income taxes are provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date. As the Company is exempt from corporate income taxes based on the current tax legislation, no deferred income tax asset or liability has been calculated on temporary taxable and deductible differences in these financial statements.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Employment termination benefits

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 May 23, 2002, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month’s salary limited to a maximum of TRY15,371.40 as of 31 December 2022 (31 December 2021: TRY8,284.51).

Provision which is allocated by using the defined benefit obligation’s current value is calculated by using estimated liability method. All actuarial profits and losses are recognised in the comprehensive statement of income.

The employment termination benefit obligation as explained above is considered as a defined benefit plan under TFRS. 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 using the long-term TRY interest rates.

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. As the maximum liability amount is revised semi-annually by the authorities, the maximum amount of TRY19,982.83 (TRY in full) which is effective from 1 January 2023 has been taken into consideration when calculating the liability (TRY10,848.59 is effective from 1 January 2022).

Provisions, contingent assets and liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognized for future operating losses.

Contingent assets or contingent obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are not included in financial statements and are treated as contingent assets or liabilities.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied or utilised by the Company in the normal course of business, is classified as investment property.

Investment properties is measured initially at cost. These costs comprise of the transaction costs and subsequent expenditures or services. The borrowing costs related to qualifying assets is also recognized during the construction of the asset, the mentioned capitalization continues until the completion of the construction. The Company does not include the daily service expenses related to real estate in the book value of the investment property. Those costs are recognized in the profit or loss statement to the extent that they are realized. Daily services costs mainly comprise of the labour and consumables however, it may also include the cost of small pieces. These types of expenditures are classified as the “maintenance expenses” related with the real estates.

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. If this information is not available, the Company uses alternative valuation methods, such as discounted cash flow projections. The Company considers the conditions resulted with the difference in the determination of the fair value of the investment properties in order to make the most reliable estimation.

Gains and losses resulting from changes in fair value of investment properties are recognized in the consolidated statement of comprehensive income as incurred. Gains and losses resulting from malfunction or dispose of investment property is a difference between cash proceeds from disposal of investment properties and its book value and is accounted as fair value gain or loss of investment property as incurred.

Part of the Company’s investment property is used for administrative purposes; however, as the ratio is considered immaterial (i.e., with a gross value less than 1% of total gross value), they are not classified separately, but rather stated within the investment properties account.

Impairment of assets

For all tangible and intangible fixed assets other than goodwill, the Company assess whether there is any indication of impairment for the assets on each statement of financial position date. If there is such an indication, the carrying value of the asset is compared with the net realisable value, which is the higher of the amounts to be earned through use or sales. If the book value of the said asset or any of its cash generating units is higher than the amount recoverable through use or sale, there is an impairment. Impairment losses are recognised in the comprehensive profit or loss statement. The increase in the registered value of the asset (or cash generating unit) arising from cancelling the impairment should not exceed its book value (net amount after depreciation) if the impairment had not been included in financial statements in previous years. Cancellation of the impairment is recognised in the comprehensive profit or loss statement.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of significant accounting policies (Continued)

Revenue recognition

Revenue is recognised 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. Revenue is presented net of value added and sales taxes. The following criteria are necessary for the recognition of revenue:

Rent income from investment properties

Rent income from investment properties is recognised on an accrual basis. Revenue is realized when economic benefits arising from the transaction have passed, and when the amount of such income can be reliably measured. Rent discounts and similar promotions granted to existing tenants from time to time are netted of from rent revenues as they are not rent incentives for acquisition of new contracts.

The minimum amount of the total rent incomes to be received in the future periods based on the existing contracts are summarised below (TRY) (*):

	31 December 2022	31 December 2021
Less than a year	206,908,396	141,569,385
Between 1 - 5 years	495,486,149	403,083,224
More than 5 years	104,506,602	116,606,126
	806,901,147	661,258,735

(*) The amount consist of the shops and warehouse rent income.

Interest income and expense

Interest income and expense is accounted for using the effective interest rate method. Interest income comprises mostly interest income from time deposits and reverse repo transactions.

Interest expenses incurred from borrowings are calculated using the effective interest rate method.

Paid-in capital

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

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.

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of significant accounting policies (Continued)

Reporting of cash flows

Cash flows statement includes cash and cash equivalents, cash with original maturity periods of less than three months and bank deposits.

Subsequent events

Subsequent events cover any events which arise between the reporting date and the balance sheet date, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts or provides disclosure in its financial statements if such subsequent events arise that require an adjustment or disclosure to the financial statements.

2.5 Significant Accounting Estimates and Assumptions

Preparation of financial statements require the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during financial period. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

NOTE 3 - SEGMENT REPORTING

As the only real estate owned by the Company is managed as a whole in a central location at Akmerkez Trade Center, segment reporting is not disclosed.

NOTE 4 - CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Cash	19,408	11,974
Reverse repo transactions	80,033,318	31,344,435
Bank		
-TRY time deposits	24,649,217	10,109,623
-Foreign currency denominated time deposits	1,966,374	9,819,076
-TRY demand deposits	273,884	89,905
-Foreign currency denominated demand deposits	17,448	6,311
	106,959,649	51,381,324

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NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

As of 31 December 2022, the interest rate on TRY time deposit accounts at banks is 21.25% the accrued interest of TRY time deposit accounts is TRY29,350. The interest rate on foreign currency denominated time deposits at banks is between 0.15% and 2.5% and the accrued interest of foreign currency denominated time deposits is TRY233. (As of 31 December 2021, the interest rate on TRY time deposit accounts at banks is 17.50% the accrued interest of TRY time deposit accounts is TRY4,845. The interest rate on foreign currency denominated time deposits at banks is between 0.15% and 0.95% and the accrued interest of foreign currency denominated time deposits is TRY251). The maturity of time deposits is less than one month (31 December 2021: Less than one month).

As of 31 December 2022, there are TRY reverse repo transactions amounting to TRY80,000,002. The interest rate on TRY reverse repo agreements is 7.60% and the accrued interest is TRY33,516. (As of 31 December 2021, there are reverse repo transactions amounting to TRY10,003,133. The interest rate on TRY reverse repo agreements is 12.16% and the accrued interest is TRY3,333). As of 31 December 2022, there are no foreign currency reverse repo transactions. (As of 31 December 2021, there are foreign currency reverse repo transactions amounting to TRY21,326,400. The interest rate on foreign currency reverse repo transaction accounts at bank is 1.10%, the accrued interest of foreign currency reverse repo transaction accounts is TRY11,569).

The cash and cash equivalents disclosed in the statements of cash flows are as follows:

	31 December 2022	31 December 2021
Cash and cash equivalents	106,959,649	51,381,324
Less: accrued interest	(62,899)	(19,997)
	106,896,750	51,361,327

NOTE 5 - TRADE AND OTHER RECEIVABLES AND PAYABLES

Short-term trade receivables	31 December 2022	31 December 2021
Trade receivables from third parties	13,523,437	6,049,652
Trade receivables from related parties (Note 20)	80,833	29,951
Post-dated cheques receivable	-	486,302
	13,604,270	6,565,905
Less: Provision for doubtful receivables	(1,641,332)	(1,315,861)
	11,962,938	5,250,044

The movement of provisions for doubtful receivables is as follows:

	2022	2021
1 January	1,315,861	1,453,552
Provisions made during the period	425,480	-
Doubtful receivables collections	(94,959)	(2,805)
Doubtful receivables reversal	(5,050)	(134,886)
31 December	1,641,332	1,315,861

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NOTE 5 - TRADE AND OTHER RECEIVABLES AND PAYABLES (Continued)

As of 31 December 2022, there are no other receivables (As of 31 December 2021, there are no other receivables).

Short-term trade payables	31 December 2022	31 December 2021
Trade payables to related parties (Note 20)	4,291,561	523,560
Trade payables to third parties	125,520	193,001
	4,417,081	716,561
Short-term other payables	31 December 2022	31 December 2021
Taxes payables and other taxes	4,009,373	2,064,734
Other	89,904	31,960
	4,099,277	2,096,694
Long-term other payables	31 December 2022	31 December 2021
Deposits and guarantees received	1,998,011	1,461,530
	1,998,011	1,461,530

NOTE 6 - INVESTMENT PROPERTY

Movements of investment properties for the years ending on 31 December 2022 and 2021 are as follows:

	1 January 2022	Additions	Disposals	Transfers	Change in fair value, net	31 December 2022
Cost						
Buildings	2,061,753,000	-	-	4,666,258	1,064,680,742	3,131,100,000
Construction in progress (*)	-	4,666,258	-	(4,666,258)	-	-
Net book value	2,061,753,000	4,666,258	-	-	1,064,680,742	3,131,100,000

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NOTE 6 - INVESTMENT PROPERTY (Continued)

	1 January 2021	Additions	Disposals	Transfers	Impairments	Change in fair value, net	31 December 2021
Cost							
Buildings	1,513,290,000	-	(768,055)	2,817,675	705,328	545,708,052	2,061,753,000
Construction in progress (*)	-	2,817,675	-	(2,817,675)	-	-	-
Net book value	1,513,290,000	2,817,675	(768,055)	-	705,328	545,708,052	2,061,753,000

(*) The transfers of TRY4,666,258 in the ongoing investments are investment expenses of Üçgen Bakım ve Yönetim Hizmetleri A.Ş. in the framework of management services and were recharged to the Company based on the Company's share percentage. (31 December 2021: The transfers amounting to TRY2,196,153 from the construction in progress to the buildings are the costs that are reflected from the Üçgen Bakım ve Yönetim Hizmetleri A.Ş. within the scope of management services in accordance with the share of the Company).

The fair value of the Company's investment property based on the valuation report of Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. dated 30 December 2022 amount to TRY3,131,100,000 (31 December 2021: The fair value of the Company's investment property based on the valuation report of Ter Ra Gayrimenkul Değerleme ve Danışmanlık A.Ş. amount to TRY2,061,753,000). The method used in fair value calculations is the income method for the shopping malls and is the benchmark comparison method for the office and residences.

The methods used to determine the fair values of investment properties and the significant unobservable assumptions are as follows:

	Average Discount Rate	Average Annual rent growth rate	Capitalization rate
31 December 2022	19.40%	Average 14.40%	4.63%
31 December 2021	18.91%	Average 12.70%	6.25%

The Company's sensitivity analysis of unobservable inputs used in the measurement of fair values of investment properties is as follows:

31 December 2022	Sensitivity analysis	If increase Profit/(loss) effect on fair value (TRY)	If decrease Profit/(loss) effect on fair value
Discount rate	0.5%	(215,500,000)	263,200,000
Rent growth rate	1%	50,800,000	(50,500,000)
31 December 2021	Sensitivity analysis	If increase Profit/(loss) effect on fair value (TRY)	If decrease Profit/(loss) effect on fair value (TRY)
Discount rate	0.5%	(54,439,000)	56,823,000
Rent growth rate	1%	119,315,000	(111,095,000)

Insurance coverage on assets as of 31 December 2022 and 31 December 2021 is as follows:

31 December 2022: USD166,556,547

31 December 2021: USD166,467,609

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NOTE 7 - TANGIBLE ASSETS

The movement schedule of tangible assets as of 31 December 2022 and 31 December 2021 are as follows:

	1 January 2022	Additions	Disposals	31 December 2022
Plants, machinery and equipment	99,702	-	-	99,702
Furniture and fixture	8,758,879	599,895	(577,021)	8,781,753
Accumulated depreciation	(8,805,381)	(42,022)	5,302	(8,842,101)
Net book value	53,200	557,873	(571,719)	39,354

	1 January 2021	Additions	Disposals	31 December 2021
Plants, machinery and equipment	99,702	-	-	99,702
Furniture and fixture	8,744,324	14,555	-	8,758,879
Accumulated depreciation	(8,615,613)	(189,768)	-	(8,805,381)
Net book value	228,413	(175,213)	-	53,200

NOTE 8 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Real rights on immovables are as follows:

- a) There is a rental restriction in favour of TEK (Turkish Electricity Institution) with registry dated 31 December 1992 No: 5538.

Guarantee notes and letters	Currency	Original Amount	31 December 2022
Letters of guarantees received	TRY	25,736,255	25,736,255
Letters of guarantees received	USD	473,262	8,849,195
Guarantee notes received	USD	333,023	6,226,964
Letters of guarantees received	EUR	151,866	3,027,434
Guarantee cheques received	TRY	478,100	478,100
Guarantee notes received	TRY	73,827	73,827
			44,391,775

Guarantee notes and letters	Currency	Original Amount	31 December 2021
Letters of guarantees received	TRY	15,899,124	15,899,124
Letters of guarantees received	USD	708,995	9,450,191
Guarantee notes received	USD	470,835	6,275,760
Letters of guarantees received	EUR	151,866	2,291,157
Guarantee cheques received	TRY	558,100	558,100
Guarantee notes received	TRY	116,307	116,307
			34,590,639

The commitments received consist of letters of guarantees received from the tenants of the shopping mall.

There is no guarantees, pledges and mortgages of Company as of balance sheet date.

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NOTE 8 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Other short-term provision	31 December 2022	31 December 2021
Provision for lawsuits	178,691	181,691
	178,691	181,691

Provision for lawsuits

The provision for the lawsuits against the company as of 31 December 2022 is TRY178,691 (31 December 2021: TRY181,691) it was cancelled in January 2022 in return for a lawsuit of TRY3,000.

The Company's cases on trail that are claimed by shareholder and not required to allocate any provision in the financial statements and counsels' opinion are summarized below:

Ömer Dinçkök filed a lawsuit on June 30, 2016 with the request for the cancellation of the decisions taken on the agenda items numbered 5 and 11, which were discussed at the General Assembly meeting for 2015. The case was dismissed a nonsuit by the first instance court. The appeal filed by the plaintiff party was rejected on the merits in favor of the Company, with an open appeal. The claimant's appeal against this decision was also rejected by the Supreme Court, and the case was finalized in favor of the Company.

Including the cases detailed above, there are 13 lawsuits and 25 executive proceedings that the Company is currently a party of them.

NOTE 9 - EMPLOYEE BENEFITS

The short-term provisions for employee benefits at 31 December 2022 and 31 December 2021 are as follow:

Short term provisions	31 December 2022	31 December 2021
Unused vacation allowances	552,110	373,158
	552,110	373,158

Provision for unused vacation amounting to TRY265,670 comprise of the unused vacation provisions of the Company's personnel, while TRY286,440 comprise of the Company's shares of unused vacation allowance related to the personnel of Üçgen Bakım ve Yönetim Hizmetleri A.Ş.

Long-term provisions	31 December 2022	31 December 2021
Provision for employee termination benefits	5,243,140	1,577,477
	5,243,140	1,577,477

As of 31 December 2022, the amount payable consists of one month's salary limited to a maximum of TRY19,982.83 for each year of service (31 December 2021: TRY10,848.59).

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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NOTE 9 - EMPLOYEE BENEFITS (Continued)

In the financial statements, Company management reflected a liability calculated in accordance with TAS 19 and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds. All actuary gain and losses are recognized in comprehensive income statement. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	1 January - 31 December 2022	1 January - 31 December 2021
Discount rate (%)	0.49	4.45
Turnover rate to estimate the probability of retirement (%)	97.69	93.74

Movements in the provision for employment termination benefits are as follows (TRY):

	2022	2021
1 January	1,577,477	1,557,693
Cost of interest	170,060	304,736
Cost of service	535,028	160,796
Actuarial (gain) / losses	3,462,327	(75,315)
Payments made during the period (-)	(501,752)	(370,433)
31 December	5,243,140	1,577,477

Provision for employment termination benefits amounting to TRY133,882 comprise of the Company's personnel termination benefits provisions and TRY5,109,258 comprise of the Company's share in Üçgen Bakım ve Yönetim Hizmetleri A.Ş.'s personnel termination benefits provisions.

NOTE 10 - OTHER ASSETS AND LIABILITIES

The details of other assets and other liabilities as of 31 December 2022 and 31 December 2021 are as follows:

Prepaid expenses - short-term	31 December 2022	31 December 2021
Prepaid expenses (*)	1,392,543	3,523,578
Advances given	7,060	12,074
	1,399,603	3,535,652

(*) Amount to TRY1,080,272 consists of part of costs related to short-term in order to rent the store. These amounts have been amortized in the contract period of the store. A portion of TRY255,981 consists of insurance expenses and TRY56,290 portion consists of other expenses.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

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NOTE 10 - OTHER ASSETS AND LIABILITIES (Continued)

Prepaid expenses – long-term	31 December 2022	31 December 2021
Prepaid expenses (*)	179,770	1,234,061
	179,770	1,234,061

(*) Amount to TRY144,081 consists of part of costs related to long-term in order to rent the store. These amounts have been amortized in the contract period of the store . Amount to TRY35,689 is for other expenses.

Other current assets	31 December 2022	31 December 2021
Income accruals for store rent (*)	1,209,235	1,085,383
	1,209,235	1,085,383

(*) Income accrual for store rents which includes short-term period.

Other non-current assets	31 December 2022	31 December 2021
Income accruals for store rent (*)	766,105	1,128,964
Deposits given	203	203
	766,308	1,129,167

(*) Income accrual for store rents which includes long-term period.

Deferred income (Excluding customer contract liabilities)	31 December 2022	31 December 2021
Advances received	1,411,640	660,980
Deferred income	-	48,804
	1,411,640	709,784

Other current liabilities	31 December 2022	31 December 2021
Expense accruals	1,522,792	680,919
	1,522,792	680,919

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CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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NOTE 11 - EQUITY

At 31 December 2022 and 2021, the issued and fully paid-in share capital held is as follows:

Shareholders	31 December 2022		31 December 2021	
	Share (%)	Amount	Share (%)	Amount
Akkök Holding A.Ş.	11.67	4,349,553	11.67	4,349,553
Tekfen Holding A.Ş.	10.47	3,901,279	10.47	3,901,279
Quoted to İstanbul Stock Exchange	57.34	21,367,443	57.34	21,367,443
Other (*)	20.52	7,645,725	20.52	7,645,725
Total paid-in capital	100.00	37,264,000	100.00	37,264,000

(*) Represents individual shareholdings less than 10%.

The registered capital ceiling of the Company is TRY75,000,000. In order to extend validity of upper limit of the Company's authorized capital, amendment regarding to the Articles of Association of the Company has been approved by a large majority at the Ordinary General Assembly for year 2020 held on 20 April 2021 within the framework of Communiqué No, III-48,1 on Principles Regarding Real Estate Investment Trusts and Communiqué No, II-17,1 on Corporate Governance of the Capital Market Board and related other legislation and after the registration on 18 May 2021, the amendment has been issued in the Trade Registry Gazette numbered 10333 and dated 24 May 2021.

The Company's issued and fully paid share capital amounting to TRY37,264,000 is represented by 3,726,400,000 shares of Kuruş 1 nominal value of which 407,575,000 are Class A shares, 284,138,000 are Class B shares, 239,887,000 are Class C shares and 2,794,800,000 are Class D shares as of 31 December 2022 and 31 December 2021.

The Company's (A), (B), (C) and (D) Group shares have the privilege to nominate candidates for the Board of Directors, and 4 of the members of the Company's board of directors hold the majority of the registered Class (A) shares; 3 of the members hold the majority of the Group registered Class (B) shares; 2 of the members hold the majority of the Group registered Class (C) shares and 1 of them is offered to the public and attended the general assembly meeting Class (D) shares is selected by the general assembly from among the candidates to be identified and proposed by the bearer.

However, in case the shares of the (D) Group bearer that was offered to the public and attended the general assembly meeting did not nominate candidates in the general assembly and / or mostly cannot determine a candidate the Company's Board of Directors, 4 of the (A) Group registered shares, the majority; 3 (B) and the majority of Group 2 of the registered shares (C) Group among the nominees proposed by the majority of registered shares at the General Assembly will be elected by nine (9) consists of members.

There is no other privilege for nominating members to the Board of Directors except the privileges stated above.

Each shareholder has one voting power for each share that is held.

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CONVENIENCE TRANSLATION OF THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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NOTE 11 - EQUITY (Continued)

Retained earnings consist of the following:

	31 December 2022	31 December 2021
Retained earnings	1,901,149,194	1,345,306,570
Extraordinary reserves	12,803,051	12,792,813
Inflation difference in extraordinary reserves	521,985	521,985
Inflation difference in legal reserves	3,461,231	3,461,231
	1,917,935,461	1,362,082,599

NOTE 12 - OPERATING INCOME

Sales	1 January - 31 December 2022	1 January- 31 December 2021
Shops and warehouse rent income	194,874,927	104,901,698
Apart hotel rent income	17,406,391	10,457,257
Other income	10,668,640	5,302,708
	222,949,958	120,661,663
Cost of sales		
Cost of services	(51,222,683)	(25,580,653)
	(51,222,683)	(25,580,653)
Gross profit	171,727,275	95,081,010

NOTE 13 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2022	1 January- 31 December 2021
Personnel expenses	7,993,446	4,316,774
Consultancy expenses	2,063,388	1,297,902
Legal expenses	1,382,486	1,017,269
Information systems expenses	486,647	271,396
Provision for vacation	383,370	52,308
Insurance, duties, taxes and levies expenses	169,896	129,840
Depreciation and amortization expenses	68,823	216,569
Provision for employment termination benefits	31,248	21,182
Other	1,133,634	517,971
	13,712,938	7,841,211

AKMERKEZ GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.**CONVENIENCE TRANSLATION OF THE NOTES TO THE
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NOTE 14 - EXPENSES BY NATURE

	1 January - 31 December 2022	1 January- 31 December 2021
Depreciation and amortization expenses		
General administrative expenses	68,823	216,569
	68,823	216,569
Allocation of depreciation and amortisation charges		
Tangible assets (Note 7)	42,022	189,768
Intangible assets	26,801	26,801
	68,823	216,569

NOTE 15 - OTHER OPERATING INCOME/(EXPENSES)

	1 January- 31 December 2022	1 January- 31 December 2021
Other operating income		
Provisions no longer required	914,496	287,030
Gain on sale of fixed asset	101,695	17,273
Foreign exchange gain on trade receivables and payables	6,331	57,008
Other	384,381	274,818
	1,406,903	636,129
Other operating expense		
Amortisation expenses (*)	(2,600,529)	(2,880,437)
Foreign exchange loss on trade receivables and payables	(545,003)	(715,469)
Provisions for doubtful receivables	(425,480)	-
Loss on sale of fixed asset	(71,719)	-
Other	(6,297)	(389,663)
	(3,649,028)	(3,985,569)
Other operating income/ (expenses) - net	(2,242,125)	(3,349,440)

(*) The expenses comprise of the amortized part of the expenses in order to rent the stores in the related period.

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NOTE 16 - INCOME FROM INVESTING ACTIVITIES

	1 January - 31 December 2022	1 January - 31 December 2021
Income from investing activities		
Net gain from fair value adjustments on investment properties	1,064,680,742	545,708,052
	1,064,680,742	545,708,052

NOTE 17 - FINANCIAL INCOME AND EXPENSE

	1 January- 31 December 2022	1 January - 31 December 2021
Financial Income		
Foreign exchange gains	17,458,968	20,136,997
Interest income	11,355,322	5,730,297
	28,814,290	25,867,294
	1 January - 31 December 2022	1 January - 31 December 2021
Financial Expenses		
Foreign exchange expenses	(1,660,240)	(5,974,365)
Interest expenses related to employee benefits	(167,399)	(304,736)
Bank commissions	-	(61,949)
	(1,827,639)	(6,341,050)

NOTE 18 - TAX ASSETS AND LIABILITIES

The Company is exempt from corporate income tax in accordance with paragraph d-4 of Article 5 of the Corporate Income Tax Law and in accordance with paragraph 6-a of Article 94 of the Income Tax Law, the earnings of the real estate investment trusts are subject to withholding taxes. According to the Council of Ministers decision, No: 93/5148, the withholding tax rate is determined as "0".

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NOTE 19 - EARNINGS PER SHARE

The earnings per share stated in income statement is calculated by dividing net income for the period by the weighted average number of Company's shares for the period.

The companies in Turkey are allowed to increase their paid-in capital by issuing "bonus shares" which represent the increases from retained earnings and revaluation funds. The issue of such shares is treated as the issuance of ordinary shares in the calculation of earnings per share. The weighted average number of shares includes such shares and their retrospective effects.

The earnings per share amount is calculated by dividing net income for the period by the weighted average number of Company's shares for the period.

	1 January - 31 December 2022	1 January- 31 December 2021
Weighted average number of shares as of the reporting date (per share of TRY 1 nominal value)	37,264,000	37,264,000
Net profit for the period	1,247,439,605	649,124,655
Earnings per share	33.48	17.42

NOTE 20 - RELATED PARTY DISCLOSURES

As of 31 December 2022 and 2021, receivables from related parties and payables to related parties are as follows:

	31 December 2022	31 December 2021
Due to related parties		
Akip Gıda San. Tic. A.Ş.	80,833	21,262
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	-	8,689
	80,833	29,951

	31 December 2022	31 December 2021
Payables to related parties		
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	4,094,993	386,444
Akkök Holding A.Ş.	194,469	127,423
Dinkal Sigorta Acenteliği A.Ş.	-	8,741
Aktek Bilgi İşlem Tekn. San. Tic. A.Ş.	2,098	952
	4,291,561	523,560

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NOTE 20 - RELATED PARTY DISCLOSURES (Continued)

As of 31 December 2022 and 2021, sales and purchases from related parties are as follows:

Sales to related parties	1 January- 31 December 2022	1 January- 31 December 2021
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	32,440,192	17,675,365
Akmerkez Lokantacılık Gıda San.Tic. A.Ş.	3,479,860	2,297,212
Akip Gıda San. Tic. A.Ş.	475,282	254,025
Tekfen Turizm İşl. A.Ş.	-	95,237
	36,395,334	20,321,839
Purchases from related parties	1 January- 31 December 2022	1 January- 31 December 2021
Üçgen Bakım ve Yönetim Hizmetleri A.Ş.	58,755,021	25,412,097
Akkök Holding A.Ş.	773,813	511,792
Dinkal Sigorta Acenteliği A.Ş. (*)	115,638	176,235
Akhan Bakım Yönetim Servis Hizmet Güvenlik Tic. A.Ş.	52,382	26,443
Aktek Bilgi İşlem Tekn.San.Tic. A.Ş.	18,850	10,008
	59,715,704	26,136,575

(*) This balance includes insurance payments through the agency of Dinkal Sigorta Acenteliği A.Ş..

Purchases and sales consist of rent income, purchase and sales of services. The related party purchases amounting to TRY58,755,021 comprise of management expenses provided by Üçgen Bakım ve Yönetim Hizmetleri A.Ş. (“Üçgen”). The remaining balance amounting to TRY960,683 comprise of other expenses from related parties. The Company provides common areas services like car park, ads, ATM via the related party Üçgen. In addition to these the Company has carpark apart, cinema and office floor rent incomes from the related party Üçgen to whom the Company charged TRY32,440,192 regarding the revenue collected on behalf of the Company for the year of 2022 (1 January - 31 December 2021: TRY17,675,365).

As of 1 January - 31 December 2022, remuneration provided to top executives management such as the Chairman of the Board of Directors and the members of Board of Directors is TRY4,657,902 (1 January - 31 December 2021: TRY2,319,314).

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NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

The Company’s activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Liquidity Risk

The ability to fund the Company’s financial and trade liabilities are managed by taking into account its expected undiscounted cash flows.

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. As of 31 December 2022, the Company’s current assets exceeded its current liabilities by TRY154,754,694 (31 December 2021: TRY83,647,995). The management does not anticipate any difficulty on the repayment of the short-term liabilities and continuity of the Company considering the cash that will be generated from rental operations and the ability to reach to the high quality borrowers.

The analysis of the Company’s financial liabilities with respect to their maturities as of 31 December 2022 is as follows:

Expected Maturities	Booked value	Cash outflows Expected	Shorter than 3 months	3 - 12 Months	1 - 5 Years	Longer than 5 years
Non-derivative financial liabilities						
Trade payables	4,417,081	4,417,081	4,417,081	-	-	-
Other payables	6,097,288	6,097,288	4,099,277	-	1,998,011	-
	10,514,369	10,514,369	8,516,358	-	1,998,011	-

The analysis of the Company’s financial liabilities with respect to their maturities as of 31 December 2021 is as follows:

Expected Maturities	Booked Value	Cash outflows expected	Shorter than 3 months	3 - 12 Months	1 - 5 years	Longer than 5 years
Non-derivative financial liabilities						
Trade payables	716,561	716,561	716,561	-	-	-
Other payables	3,558,224	3,558,224	2,096,694	-	1,461,530	-
	4,274,785	4,274,785	2,813,255	-	1,461,530	-

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NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. These exposures are managed by offsetting interest rate sensitive assets and liabilities and using derivative instruments when considered necessary.

In this context, matching of not only maturities of receivables and payables but also contractual repricing dates are crucial. In order to keep the exposure of financial liabilities to interest rate changes at a minimum, "fixed interest/floating interest", "short-term/long-term", "TRY/foreign currency" balance should be structured consistent within and with assets in the balance sheet.

The interest position is set out in the table below:

	31 December 2022	31 December 2021
Financial instruments with fixed interest		
Time deposits and reverse repo transactions	106,648,909	51,273,134

As of 31 December 2022 and 2021, there are no financial instruments with variable interest.

Credit Risk

The Company is subject to credit risk arising from trade receivables related to credit sales and deposits at banks.

The Company management evaluates trade receivables taking into consideration the collaterals received, past experiences and current economic outlook and makes provisions for doubtful receivables when deemed necessary. The Company management does not foresee additional risk related to the Company's trade receivables other than the related provisions made.

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NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk disclosures

Credit and receivable risk of financial instruments as of 31 December 2022 is as follows:

31 December 2022	Receivables		Other receivables		Time deposits	Reverse repo transactions
	Trade receivables					
	Related party	Third party	Related party	Third party		
Maximum credit risk exposed as of the reporting date (A+B+C+D)	80,833	11,882,105	-	-	26,906,923	80,033,318
- Secured portion of the maximum credit risk by guarantees	-	7,469,826	-	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired	80,833	8,723,570	-	-	26,906,923	80,033,318
B. Net book value of overdue assets that are not impaired	-	3,158,535	-	-	-	-
C. Net book values of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	1,641,332	-	-	-	-
- Impairment (-)	-	(1,641,332)	-	-	-	-
- Secured portion by guarantees. etc.	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion by guarantees. etc.	-	-	-	-	-	-
D. Off balance sheet items with credit risks	-	-	-	-	-	-

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NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risk disclosures

Credit and receivable risk of financial instruments as of 31 December 2021 is as follows:

31 December 2021	Receivables		Other receivables		Time deposits	Reverse repo transactions
	Trade receivables					
	Related party	Third party	Related party	Third party		
Maximum credit risk exposed as of the reporting date (A+B+C+D)	29,951	5,220,093	-	-	20,024,915	31,344,435
- Secured portion of the maximum credit risk by guarantees	-	3,267,306	-	-	-	-
A. Net book value of financial assets that are neither overdue nor impaired	29,951	789,015	-	-	20,024,915	31,344,435
B. Net book value of overdue assets that are not impaired	-	4,431,078	-	-	-	-
C. Net book values of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	1,315,861	-	-	-	-
- Impairment (-)	-	(1,315,861)	-	-	-	-
- Secured portion by guarantees. etc.	-	-	-	-	-	-
- Not overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured portion by guarantees. etc.	-	-	-	-	-	-
D. Off balance sheet items with credit risks	-	-	-	-	-	-

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NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2022 and 31 December 2021, aging of financial assets that are past due but not impaired is as follows:

Maturity	31 December 2022	31 December 2021
0 - 1 months past due	2,522,303	3,417,958
1 - 3 months past due	418,173	647,147
3 - 12 months past due	218,059	365,973
	3,158,535	4,431,078

There is no significant change on financial risk policies and credit risk management of the Company compared to prior periods.

Foreign Currency Risk

The Company's foreign currency balances arising from operating, investment, and financial activities are disclosed below as of the reporting date. The Company may be exposed to foreign currency risk due to foreign exchange differences at the time its foreign currency receivables and payables are converted to Turkish Lira. The foreign currency risk is monitored through continuous analysis of the foreign currency position and measured on the basis of sensitivity analysis.

	31 December 2022	31 December 2021
Assets	46,421,706	57,800,795
Liabilities	(1,885,071)	(1,348,590)
Net balance sheet position	44,536,635	56,452,205

As of 31 December 2022, fluctuation of USD had been 10% higher/lower ceteris paribus, pre-tax income after foreign exchange profit/loss resulting from foreign exchange net position for the period would have been TRY4,463,122 higher/lower (31 December 2021: TRY5,652,588 higher/lower).

As of 31 December 2022, fluctuation of EUR had been 10% higher/lower ceteris paribus, pre-tax income after foreign exchange profit/loss resulting from foreign exchange net position for the period would have been TRY9,839 lower/higher (31 December 2021: TRY7,430 lower/ higher).

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NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2022, fluctuation of GBP had been 10% higher/lower ceteris paribus, pre-tax income after foreign exchange profit/loss resulting from foreign exchange net position for the period would have been TRY383 higher/lower (31 December 2021: TRY305 higher/lower).

As of 31 December 2022 and 31 December 2021 the assets and liabilities denominated in foreign currencies which do not bear guaranteed rates of exchange, and foreign currency amounts stated in the assets and liabilities are as follows:

31 December 2022	EUR	USD	GBP	TRY equivalent
Current assets				
Financial investments	-	2,375,769	-	44,422,841
Cash and cash equivalents	575	106,084	170	1,998,865
Total Assets	575	2,481,853	170	46,421,706
Non-current liabilities				
Other payables	(5,500)	(94,770)	-	(1,885,071)
Total liabilities	(5,500)	(94,770)	-	(1,885,071)
Net foreign currency asset position	(4,925)	2,387,083	170	44,536,635
31 December 2021	EUR	USD	GBP	TRY equivalent
Current assets				
Financial investments	-	1,998,464	-	26,637,531
Cash and cash equivalents	575	2,337,125	170	31,163,264
Total Assets	575	4,335,589	170	57,800,795
Non-current liabilities				
Other payables	(5,500)	(94,770)	-	(1,348,590)
Total liabilities	(5,500)	(94,770)	-	(1,348,590)
Net foreign currency asset position	(4,925)	4,240,819	170	56,452,205

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NOTE 21 - NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Capital Risk Management

For proper management of capital risk, the Company aims;

- To maintain continuity of operations so as to provide earnings to partners and benefits to other shareholders,
- To increase profitability through determining a service pricing policy that is commensurate with the level of risks inherent in the market.

The Company determines the amount of share capital in proportion to the risk level. The equity structure of the Company is arranged in accordance with the economic outlook and the risk attributes of assets.

The Company monitors capital management by using the debt/equity ratio. This ratio is calculated by dividing the debt net by the total share capital. The net debt is calculated by deducting the value of cash and cash equivalents from the total debt (the sum of short and long-term liabilities stated in the statement of financial position). The total share capital is the sum of all equity items stated in the statement of financial position.

	31 December 2022	31 December 2021
Total Debt (*)	19,422,742	7,797,814
Less: cash and cash equivalents (Note 4)	(106,959,649)	(51,381,324)
Net asset	(87,536,907)	(43,583,510)
Total equity	3,279,786,846	2,144,993,088
Net asset/equity ratio (%)	(3)	(2)

(*) The balance covers the sum of short-term and long-term liabilities.

NOTE 22 - FINANCIAL INSTRUMENTS (DISCLOSURES RELATED TO FAIR VALUE AND HEDGE ACCOUNTING)

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The fair values of financial instruments that are not traded in an active market have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein may differ from the amounts the Company could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

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**NOTE 22 - FINANCIAL INSTRUMENTS (DISCLOSURES RELATED TO FAIR VALUE AND
HEDGE ACCOUNTING) (Continued)**

Financial assets:

The fair values of cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

Investment properties are presented at fair value in the balance sheet.

The carrying value of trade receivables which are measured at amortised cost, along with the related allowances for uncollectability are assumed to approximate their fair values.

The fair values of balances denominated in foreign currencies, which are translated at year-end official exchange rates announced by the Central Bank of Turkey, are considered to approximate their carrying value.

Financial liabilities:

The Company has no financial assets held for speculative purposes (including derivative instruments) and has no operations related to the trade of such instruments.

Short-term trade payables are considered to approximate their respective carrying values due to their short-term nature.

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. Such a distinction generally gives rise to the following classifications.

- Category 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Category 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Category 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

Classification requires using observable market data if possible.

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NOTE 23 - SUBSEQUENT EVENTS

None.

NOTE 24 - FINANCIAL INVESTMENTS

The details of financial investments as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Foreign currency bonds	44,839,173	26,660,235
	44,839,173	26,660,235

As of 31 December 2022, the interest rate on the foreign currency bonds is 4.75% and the accrued interest is TRY22,265 (31 December 2021: the interest rate on the foreign currency bonds is 2.46% and the accrued interest is TRY22,704).

NOTE 25 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/AUDITOR'S FIRM

The Company's explanation regarding the fees for services rendered by independent audit firms, which is prepared by the KGK pursuant to the Board Decision published in the Official Gazette on March 30, 2021, and the preparation principles of which are based on the KGK letter dated August 19, 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Independent audit fee for the reporting period	355,000	169,920
Total	355,000	169,920

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NOTE 26 - SUPPLEMENTARY NOTE: CONTROL OF COMPLIANCE WITH PORTFOLIO RESTRICTIONS

Disclosures made within the framework of Communiqué No. III-48.1 on Principles Regarding Real Estate Investment Trusts state that joint ventures are obliged to comply with the provisions of the Board's Communiqué No. II-14.1 on Principles Regarding Financial Reporting in Capital Markets when issuing and making public financial statements. The financial statements should include the information about portfolio limitation controls defined in Communiqué No. III-48.1 on Principles Regarding Real Estate Investment Trusts taken from unconsolidated financial statement account items in the manner defined by the Board. In this scope, total assets, total portfolio and information relating to portfolio restrictions are as follows as of 31 December 2022 and 31 December 2021:

Non-consolidated (stand-alone) financial statement accounts items	Related regulations	31 December 2022	31 December 2021
A Cash and capital market instruments	Art,24/(b)	151,798,822	78,041,559
B Real estate, real estate-based project, real estate-based, rights, real estate investment fund participation shares and companies within the scope of subparagraph (ç) of the first paragraph of Article 28, in which they have 100% participation in the capital	Art,24/(a)	3,131,100,000	2,061,753,000
C Affiliates	Art,24/(b)	-	-
Due from related parties (non-trade)	Art,23/(f)	-	-
Other assets		16,310,766	12,996,343
D Total assets	Md.3/(p)	3,299,209,588	2,152,790,902
E Borrowings	Art,31	-	-
F Other financial liabilities	Art,31	-	-
G Leasing obligation	Art,31	-	-
H Due to related parties (non-trade)	Art,23/(f)	-	-
I Equity	Art,31	3,279,786,846	2,144,993,088
Other liabilities		19,422,742	7,797,814
D Total liabilities	Art,3/(p)	3,299,209,588	2,152,790,902

Other non-consolidated (stand-alone) financial information	Related regulations	31 December 2022	31 December 2021
A1 Portion of cash and capital market instruments reserved for three-year real estate payments	Art,24/(b)	-	-
A2 TRY/foreign currency denominated time/demand deposits	Art,24/(b)	26,906,923	20,024,915
A3 Foreign capital market instruments	Art,24/(d)	-	-
B1 Foreign real estates, real estate-based projects, real estate-based rights	Art,24/(d)	-	-
B2 Lands on which no projects developed	Art,24/(c)	-	-
C1 Foreign affiliates	Art,24/(d)	-	-
C2 Participation in administrator companies	Art,28/1(a)	-	-
J Non-cash loans	Art,31	-	-
K Encumbrance amounts of encumbered lands which do not belong to the Group and on which a project will be developed	Art,22/(e)	-	-
L Total investments of monetary and capital market instruments at one company	Art,22/(l)	20,647,728	9,819,797

Portfolio Restriction	Related regulations	31 December 2022	31 December 2021	Minimum/Maximum Rate
1 Encumbrance amounts of encumbered lands which do not belong to the Group and on which a project will be developed (K/D)	Art,22/(e)	-	-	≤10%
2 Real estate, real estate-based project, Real estate-based rights, real estate investment fund participation Shares and companies within the scope of subparagraph (ç) of the First paragraph of Article 28, in which that have 100% participation in the capital (B+A1)/D	Art,24/(a),(b)	95%	96%	≥51%
3 Cash and capital market instruments and Affiliates (A+C-A1)/D	Art,24/(b)	5%	4%	≤49%
4 Foreign real estates, real estate-based projects, real estate-based rights, Affiliates, capital market instruments (A3+B1+C1)/D	Art,24/(d)	-	-	≤49%
5 Lands on which no projects developed (B2/D)	Art,24/(c)	-	-	≤20%
6 Participation in administrator companies (C2/D)	Art,28/1(a)	-	-	≤10%
7 Borrowing ceiling (E+F+G+H+J)/I	Art,31	-	-	≤500%
8 TRY/foreign currency denominated time/demand deposits (A2-A1)/D	Art,24/(b)	1%	1%	≤10%
9 Total investments of monetary and capital market instruments at one company (L/D)	Art,22/(l)	1%	0%	≤10%

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