

*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish, See Section 2)*

TSKB Gayrimenkul Yatırım Ortaklığı AŞ

Interim Financial Statements
As at and For the Nine-Month Period Ended
30 September 2010
With Independent Auditors' Review Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

28 October 2010

*This report contains 1 pages of independent
auditors' review report and 41 pages of
financial statements and notes to the
financial statements.*

TSKB Gayrimenkul Yatırım Ortaklığı AŞ

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Convenience Translation of the Independent Auditors' Review Report Originally Prepared and Issued in Turkish

To the Board of Directors of TSKB Gayrimenkul Yatırım Ortaklığı Anonim Şirketi,

Introduction

We have reviewed the accompanying financial statements of TSKB Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 30 September 2010, and the statements of comprehensive income, changes in equity and cash flows for the nine-month period ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards issued by the Capital Markets Board ("CMB"). Our responsibility is to express a conclusion on these financial statements based on our review. The financial statements of the Company as at and for the year ended 31 December 2009 were audited by another auditor who expressed an unqualified opinion in their report dated 29 January 2010 for the financial statements as at 31 December 2009.

Scope of review

We conducted our review in accordance with the auditing standards promulgated by the CMB of Turkey. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the auditing standards promulgated by the CMB of Turkey and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly the financial position of TSKB Gayrimenkul Yatırım Ortaklığı AŞ as at 30 September 2010, and of the results of its operations and its cash flows for the nine-month period then ended in accordance with the financial reporting standards issued by the Capital Markets Board (See Note 2).

Istanbul,
28 October 2010

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

Orhan Akova
Partner

As discussed in Note 2.1.1, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

		Reviewed	Audited
		30 September	31 December
ASSETS	<i>Notes</i>	2010	2009
CURRENT ASSETS		34,374,575	7,688,225
Cash and cash equivalents	3	29,102,836	3,744,835
Trade receivables	5	1,372,351	840,794
- Due from related parties	20	571	-
- Other trade receivables	5	1,371,780	840,794
Other receivables	11	3,899,388	3,102,596
NON-CURRENT ASSETS		295,726,731	290,663,216
Investment property	6	283,937,322	278,975,800
Tangible assets	7	37,265	25,429
Intangible assets	8	13,008	-
Other non-current assets	11	11,739,136	11,661,987
TOTAL ASSETS		330,101,306	298,351,441
LIABILITIES AND EQUITY			
SHORT-TERM LIABILITIES		19,534,927	20,430,874
Loans and borrowings	4	17,804,171	12,163,009
- Due to related parties	20	17,804,171	12,163,009
Trade payables	5	968,288	4,397,393
- Due to related parties	20	6,524	-
- Other trade payables	5	961,764	4,397,393
Employee benefits	10	4,693	8,686
Other short-term liabilities	11	757,775	3,861,786
LONG-TERM LIABILITIES		89,501,408	113,787,844
Loans and borrowings	4	89,415,753	113,699,732
- Due to related parties	20	89,415,753	113,699,732
Employee benefits	10	12,950	8,602
Other long-term liabilities	11	72,705	79,510
EQUITY		221,064,971	164,132,723
Paid in capital	12	150,000,000	100,000,000
Share premium	12	593,140	-
Restricted reserves	12	152,670	152,670
Retained earnings		63,980,053	8,634,031
Net profit for the period		6,339,108	55,346,022
TOTAL LIABILITIES AND EQUITY		330,101,306	298,351,441

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**STATEMENT OF INCOME**

FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

		Reviewed	Reviewed	Not reviewed	Not reviewed
		1 January -	1 July -	1 January -	1 July -
		30 September	30 September	30 September	30 September
	<i>Notes</i>	2010	2010	2009	2009
Sales	13	10,965,186	3,370,095	3,304,761	1,100,479
Cost of sales	13	(4,918,844)	(1,083,420)	(174,725)	(25,475)
Gross profit		6,046,342	2,286,675	3,130,036	1,075,004
Administrative expenses	14	(2,471,505)	(352,792)	(1,118,782)	(321,185)
Selling and marketing expenses (-)	15	(1,622,159)	(556,588)	(86,280)	(32,034)
Other operating income	16	15,316	486	4,231	-
Other operating expense	16	(172,354)	(17,077)	(24,641)	(4,448)
Operating profit		1,795,640	1,360,704	1,904,564	717,337
Finance income	17	9,664,864	1,626,213	795,559	28,548
Finance expenses	17	(5,121,396)	(1,645,366)	(29,187)	(16,430)
Profit before tax from continuing operations		6,339,108	1,341,551	2,670,936	729,455
Tax income/expenses on continuing operations	18				
- Current tax income/(expense)		-	-	-	-
- Deferred tax income/(expense)		-	-	-	-
Net profit from continuing operations		6,339,108	1,341,551	2,670,936	729,455
Net profit for the period after tax from discontinued operations		-	-	-	-
PROFIT FOR THE PERIOD		6,339,108	1,341,551	2,670,936	729,455
Earnings per share	19	0.0476	0.0089	0.0267	0.0073

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**STATEMENT OF COMPREHENSIVE INCOME****FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010***(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)*

	Reviewed	Reviewed	Not reviewed	Not reviewed
	1 January -	1 July -	1 January -	1 July -
	30 September	30 September	30 September	30 September
	2010	2010	2009	2009
NET PROFIT FOR THE PERIOD	6,339,108	1,341,551	2,670,936	729,455
Other comprehensive income:				
Change in fair value reserve of financial assets	-	-	-	-
Change in revaluation surplus on non-current assets	-	-	-	-
Change in hedging reserve	-	-	-	-
Change in foreign currency translation differences	-	-	-	-
Actuarial gains and losses in pension plans	-	-	-	-
Other comprehensive income from equity accounted investees	-	-	-	-
Tax income/expense on other comprehensive income	-	-	-	-
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME	6,339,108	1,341,551	2,670,936	729,455

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	<i>Notes</i>	Share capital	Share premium	Restricted reserves	Retained earnings	Net profit for the period	Total
Balances at 1 January 2009		100,000,000	-	43,301	5,680,434	3,062,966	108,786,701
Transfers		-	-	109,369	2,953,597	(3,062,966)	-
		100,000,000	-	152,670	8,634,031	-	108,786,701
Net profit for the period		-	-	-	-	2,670,936	2,670,936
Total comprehensive income		-	-	-	-	2,670,936	2,670,936
Balances at 30 September 2009		100,000,000	-	152,670	8,634,031	2,670,936	111,457,637
Balances at 1 January 2009		100,000,000	-	152,670	8,634,031	55,346,022	164,132,723
Capital increase		50,000,000	-	-	-	-	50,000,000
Issued share premium		-	593,140	-	-	-	593,140
Transfers		-	-	-	55,346,022	(55,346,022)	-
		150,000,000	593,140	152,670	63,980,053	-	214,725,863
Net profit for the period		-	-	-	-	6,339,108	6,339,108
Total comprehensive income		-	-	-	-	6,339,108	6,339,108
Balances at 30 September 2010	<i>12</i>	150,000,000	593,140	152,670	63,980,053	6,339,108	221,064,971

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ
STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

		Reviewed	Not reviewed
		1 January -	1 January -
		30 September	30 September
	<i>Notes</i>	2010	2009
<u>Cash flows from operating activities</u>			
Net profit for the period		6,339,108	2,670,936
Adjustments to:			
Interest income		(1,422,876)	(795,559)
Interest expense		5,121,396	-
Unearned income		305,609	-
Provision for doubtful receivables	14	686,964	-
Income accruals	11	(121,591)	(6,082)
Provision for tax penalty	16	100,120	-
Other provisions		45,078	650,679
Provision for vacation pay liability	14	(3,993)	9,478
Depreciation expense	7	14,898	7,942
Amortization expense	8	3,507	-
Provision for employee severance indemnity	14	4,348	5,695
Cash flows before the changes in working capital		11,072,568	2,543,089
Change in financial investments		-	489,300
Change in trade receivables		(1,218,521)	(80,393)
Change in other assets		(1,225,440)	(2,768,385)
Change in trade payables		(3,429,105)	24,786
Change in other liabilities		(3,561,624)	(392,548)
Interest paid		(4,054,998)	(2,356,713)
Net cash used in operating activities		(2,417,120)	(2,540,864)
<u>Cash flows used in investing activities</u>			
Acquisition of investment property		(2,718,432)	-
Acquisition of tangible assets	7	(26,734)	(48,104,138)
Acquisition of intangible assets	8	(16,515)	-
Net cash used in investment activities		(2,761,681)	(48,104,138)
<u>Cash flows from financing activities</u>			
Proceeds from initial public offering		52,500,000	-
Initial public offering expenses	12	(1,906,860)	-
Interest received		1,415,743	795,560
Change in loans and borrowings		(21,833,271)	28,208,695
Net cash provided by financing activities		30,175,612	29,004,255
Net increase / (decrease) in cash and cash equivalents		24,996,811	(21,640,747)
Cash and cash equivalents at 1 January	3	3,744,835	23,845,013
Cash and cash equivalents at 30 September	3	28,741,646	2,204,266

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH
INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

1. ORGANISATION AND NATURE OF OPERATIONS

TSKB Gayrimenkul Yatırım Ortaklığı AŞ’s (“the Company”) main activity is to invest in properties, property projects and property related capital market instruments. The Company was established on 3 February 2006.

The headquarters of the Company is registered in Meclisi Mebusan Cad. Molla Bayırı Sok. No: 1 34427 Fındıklı - Istanbul, Turkey. The number of personnel employed in the Company as at 30 September 2010 is 10 (31 December 2009: 9).

The Company is a subsidiary of Türkiye Sınai Kalkınma Bankası AŞ (“TSKB”) and was registered on 3 February 2006. In accordance with the relevant article of the Capital Markets Board of Turkey (“CMB”) Communiqué on the Principles of Real Estate Investment Trusts, which was in force at that date, as real estate investment trusts have to apply to the CMB with the request that the share certificates representing at least 49% of the paid-in capital that will be offered to the public are registered in the time periods changing according to the capital amounts, and as the period expires on 3 February 2007 for the Company, the Company applied to the CMB on 30 January 2007 for the extension of the public offering for one year, considering the risk perceptions regarding the existing and expected market conditions, and received the extension approval on 12 March 2007. It was stated in the letter sent by the CMB to the Company on 17 December 2007, relating to the permission application for the increase of the Company’s paid-in capital in 2007 from TL 10,000,000 to TL 75,000,000, that the deadline for board registry application for the public offering of the Company shares was extended to 3 February 2009 as the capital of the Company was increased to TL 75,000,000, in accordance with the CMB decision dated 19 April 2007.

The Company decided that its paid-in capital, which was TL 75,000,000, would be increased by TL 25,000,000, to TL 100,000,000, with the registered capital ceiling of TL 100,000,000, and that the increased capital would be paid by the shareholders in proportion to their shares, in its extraordinary general assembly dated 24 November 2008. The capital increase was registered on 28 November 2008 and was published in the Turkish Trade Registry Gazette No. 7202, dated 3 December 2008. Again, in accordance with the Communiqué article which was in force at that date, as it was foreseen that the public offering of the real estate investment trusts whose paid in capital is TL 100,000,000 or more, is to be made within five years of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, the CMB informed the Company with the letter dated 10 November 2008 that the deadline for the public offering of the Company shares is 3 February 2011.

On the other hand, with the amendment dated 31 December 2009 made by the CMB to the Communiqué on the Principles of Real Estate Investment Trusts, the application that a time is granted for trusts which are established instantaneously or which become real estate investment trusts by amendment of articles of association with regards to a public offering, is cancelled and it is made obligatory that the shares of trusts representing a minimum 25% of their capital be issued within three months of either the establishment of the investment trust or the related amendment to the articles of association being registered with the Trade Registry, are offered to public and that they apply to the CMB with the request that all shares be registered. In addition, in the temporary article prepared to clarify the status of the existing real estate investment trusts whose shares are not offered to the public, against the amendment in the Communiqué, it is foreseen that companies with the status of real estate investment trust by establishment or transformation before the publishing date of the Communiqué amendment, would apply to the CMB with the request that minimum 25% of their issued capital be offered to the public.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

1. ORGANISATION AND NATURE OF OPERATIONS *(continued)*

As per the Board of Directors resolution dated 2 February 2010 numbered 96, it has been decided to increase the paid in capital of the company by TL 50,000,000 to 150,000,000 and the increased shares to be offered to the public through the restriction of the pre-emptive rights of the existing shareholders. With the capital increase by 50%, nominal value of C group shares amounting TL 50,000,000 (with additional sales TL 57,500,000) which will be offered to the public for the first time were registered by the CMB with the record number GYO 60/250 on 25 March 2010. Public offering of the shares was realized on 1 and 2 April 2010 and the Company shares are being traded on the Istanbul Stock Exchange since 9 April 2010.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1. Basis of presentation

2.1.1. Statement of compliance

The Company maintains its book of accounts and prepares its statutory financial statements in accordance with the Turkish Commercial Code and Turkish Tax Code.

The accompanying financial statements have been prepared in accordance with the accounting and reporting principles issued by CMB through the reclassifications and adjustments to the statutory financial statements of the Company. The Company prepared the financial statements as at 30 September 2010 in accordance with the Communiqué No: XI-29, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”). According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards (“IAS/IFRS”) endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board (“IASB”) are announced by Turkish Accounting Standards Board (“TASB”), IAS/IFRS issued by the IASB shall be applied.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with the accounting and reporting principles accepted by the CMB (“CMB Financial Reporting Standards”) which are based on IAS/IFRS.

As at 30 September 2010, the accompanying financial statements of the Company have been approved by the Board of Directors of the Company on 28 October 2010. The General Assembly and related government institutions have the authorization to revise these financial statements and statutory financial statements.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

2.1.2. Basis of presentation of financial statements

As at 30 September 2010, the financial statements and the accompanying notes are presented in accordance with the formats required by the CMB, with the announcement dated 17 April 2008, including the compulsory disclosures.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.1. Basis of presentation *(continued)*

2.1.3. Functional and presentation currency

These financial statements are presented in Turkish Lira (“TL”), which is the Company’s functional currency. All financial information is presented in TL unless otherwise stated.

2.1.4. Comparative information

The accompanying financial statements are presented comparatively in order to identify trends in the Group’s financial position, performance and cash flows. Where necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative figures are reclassified and material changes are disclosed in the related notes. In the current period, there is no any reclassification in order to meet the consistency with the presentation of the financial statements at the previous period.

2.2. Changes in accounting policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in the financial statements. Material changes in accounting policies or material errors (if any) are corrected, retrospectively; restating the prior period financial statements.

2.3. Changes in accounting estimates and errors

The preparation of the financial statements in conformity with Communiqué No: XI-29 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant estimates and judgments used by the Company are included in the following notes:

Note 5 – Trade receivables

Note 6 – Investment property

Note 7 – Tangible assets

Note 8 – Intangible assets

Note 9 – Provisions, contingent assets and liabilities

Note 10 – Provision for employee benefits

Note 22 – Financial instruments

The Company used market value approach in determination of fair values of the properties named Tahir Building, Fındıklı Building 1, Fındıklı Building 2 and Adana land, and income approach in determination of fair value of Pendorya Shopping Mall, all of which are accounted for under investment property.

2.4. New standards and interpretations implemented and not yet adopted as at 30 September 2010

2.4.1. New standards and interpretations implemented as at 30 September 2010

The Company has applied all the standards issued by IASB and all the interpretations issued by IASB’s International Financial Reporting Interpretation Committee (“IFRIC”) which are effective as at 30 September 2010.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH
INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.4. New standards and interpretations implemented and not yet adopted as at 30 September 2010 (continued)

2.4.2. New standards and interpretations not yet adopted as at 30 September 2010 (continued)

There have been new standards and interpretations not yet adopted to the accompanying financial statements as at 30 September 2010. None of these standards and interpretations is expected to have significant effects on the financial statements, except for TFRS 9 “Financial Instruments” issued by TASB in the Official Gazette dated 27 April 2010, numbered 27564.

TFRS 9 – *Financial Instruments* which was published by TASB in November 2009 as part of a wider project that aims to bring new regulations to replace TAS 39 – *Financial Instruments: Recognition and Measurement*.

The objective of *TFRS 9*, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity’s future cash flows. With *TFRS 9* an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity’s business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in *TAS 39* on impairment of financial assets and hedge accounting continues to apply.

An entity shall apply *TFRS 9* for annually periods beginning on or after 1 January 2013. An earlier application is permitted. If an entity adopts *TFRS 9* in its financial statements for a period beginning before 1 January 2012, then prior periods do not need to be restated.

New standards and interpretations not adopted in 2010 and not expected to effect the financial statements:

- The revised *TAS 32 – “Financial Instruments: Presentation”* amends the definition of presentation and classification of rights issue,
- The revised *TAS 24 – “Related Party Disclosures”* amends the definition of a related party and modifies certain related party disclosure requirements government-related entities,
- The limited exceptions about comparative information for the entities applying *TFRS 7 – International Financial Reporting Standards* first time in accordance with the revised *TAS 1 – “Presentation of Financial Statements”*,
- Revised IFRIC Interpretation 19 – *TAS 19 “Limit of an Asset, Minimum Funding Requirements and Interactions with Each of These Conditions”* related with prepaid voluntary contributions,
- Revised IFRIC Interpretation 19 – *“Payment of Financial Liabilities With Equity Instruments”*.

2.5. Summary of significant accounting policies

Significant accounting policies applied during the preparation of the financial statements are summarized as follows.

2.5.1. Revenue

Revenue includes sales income, rental income and income from allocation of expenses to tenants.

Rental income

Rental income from investment property leased out under operating lease is recognized in profit or loss on accrual basis.

Revenue is measured at the fair value of the consideration received or receivable.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.2. Investment properties

i) Operating investment properties

Investment properties are those which are held either to earn rental income or for capital appreciation or for both.

Investment properties are recognized when it is probable that the future economic benefits that are associated with them will flow to the Company and the cost of them can be measured reliably.

Fair value model was chosen in the measurement of the investment properties. Gains and losses arising from changes in the fair values of investment properties are recognized in profit or loss for the period in which it arises.

ii) Investment property under construction

Investment property under construction are those which are held either to earn income or for capital appreciation or for both, in the future. The Company’s properties constructed for future use as investment property were shown in property and equipment until year 2009, and under investment property starting from 1 January 2009. When the fair values of such properties cannot be determined reliably until the construction is completed, the Company accounts for such investment property under construction using the cost model until the date the construction is completed.

All costs directly associated with the purchase and construction of an investment property, and all subsequent capital expenditures for the development qualifying as acquisition costs are capitalized.

Borrowing costs are capitalized if they are directly attributable to the investment property under construction. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs may continue until the assets are substantially ready for their intended use.

2.5.3. Tangible assets

All tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation is recognized on a straight-line basis over the useful lives of the property, plant and equipment from the date of acquisition. The expected useful life of tangible assets is 5 years.

Subsequent expenditure

Expenditures incurred to replace a component of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognized in profit or loss as expense as incurred.

The gain or loss arising on the disposal or retirement of an item of tangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.4. Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets is calculated on a straight-line basis over the inflation adjusted values of the useful life of the related assets.

2.5.5. Impairment of assets

The Company determines whether there are any indicators for impairment at every balance sheet date. In the case of an indicator, the recoverable value of that asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

2.5.6. Financial instruments

The Company has the following financial assets: cash and cash equivalents and trade receivables; and has the following financial liabilities: loans and borrowings, financial leases and trade payables.

i) Financial assets

The Company initially recognizes the financial assets on the date they are originated.

Financial instruments are recognized initially at fair value plus any directly attributable transactions costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

Cash and cash equivalents

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

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(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.6. Financial instruments *(continued)*

i) Financial assets *(continued)*

Reverse repo receivables

Securities purchased under agreements to resell are recorded as reverse repo receivables under cash and cash equivalents in the financial statements. Income accrual is accounted for the difference between the purchase and resale prices earned during the period.

Due to / from related parties

The shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties.

The carrying amounts of due to and from related parties are close to their fair values.

Trade receivables

Trade receivables are initially recognized at fair value. Subsequent to initial recognition, those assets are measured at amortized cost using the effective interest method, less any impaired losses at each reporting dates. If there is an objective evidence of uncollectibility, the Company books a provision for the doubtful receivables and losses are recognized in profit or loss. Provision is the difference between the carrying value of the receivables and probable amount of the collection. The Company management believes that the carrying amounts of trade and other receivables approximate to their fair values.

ii) Financial liabilities

Financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

2.5.7. Offsetting

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

2.5.8. Borrowing costs

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

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

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(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.9. Foreign currency transactions

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

Transactions in foreign currencies are translated into functional currency at Central Bank’s exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to functional currency at the exchange rate at that date. Gains or losses on translation of foreign currency denominated transactions to TL or presentation of foreign currency denominated monetary assets are recognized in profit of loss.

2.5.10. Earnings per share

Earnings per share is calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and inflation adjustments on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates.

2.5.11. Subsequent events

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

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

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

2.5.12. Provisions, contingent liabilities and contingent assets

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

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

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2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

2.5. Summary of significant accounting policies (continued)

2.5.13. Leases

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

The Company as lessor

Operating lease income is recognized in profit or loss with straight-line method through the term of the lease.

The Company as lessee

Operating lease expense is recognized in profit or loss with straight-line method through the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

Tangible assets that are acquired through financial lease are recorded as asset in the statement of financial position of the Company and related payments are recognized as financial lease obligation in liabilities. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

2.5.14. Related parties

Shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Transactions with the related parties consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

2.5.15. Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Company operates solely as a real estate investment trust therefore segment information is not presented. The Company owns a few number of investment properties and detailed information is presented in Note 6 “Investment Property”.

2.5.16. Discontinued operations

None.

2.5.17. Government grants and incentives

None.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS *(continued)*

2.5. Summary of significant accounting policies *(continued)*

2.5.18. Taxation

Corporate income tax

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

According to New Corporate Tax Law Article 15/(3), the income of REITs is subject to 15% withholding tax irrespective of its distribution. The Council of Ministers has the authority to increase the withholding tax rate on REIT income to corporate income tax rate or reduce it to 0% or change it within the limits defined through publication of a Decree based on the Corporate Tax Law Article 15/(34). In accordance with New Corporate Tax Law Article 15/(2), income subject to corporate tax is also exempt from withholding tax.

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

Based on the resolution of the Council of Ministers related to the withholding tax rates which were determined as 15% according to the New Corporate Tax Law Article 15/(3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. Thereof, in accordance with the Article 5/1(d) (4) of the New Corporate Tax Law, real estate investment company earnings, regardless of the fact they are distributed or not, will be subject to 0% withholding.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Since the Company is exempt from Corporate Income Tax in Turkey in accordance with Article 5 of the Corporate Tax Law, deferred tax is not recognized.

2.5.19. Employee benefits / reserve for employee severance indemnity

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group.

The provision for employee severance indemnity has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

2.5.20. Statement of cash flows

The Company presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new conditions. For the purposes of the statement of cash flows, cash and cash equivalents include cash in hand, receivables from reverse repos and bank deposits having maturities shorter than 3 months.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010**

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

3. CASH AND CASH EQUIVALENTS

	30 September 2010	31 December 2009
Cash	10,765	1,561
Banks-Demand deposits	41,174	304,274
Banks-Time deposits	28,696,841	-
Banks-Restricted deposits ^(*)	9,996	-
Receivables from reverse repo agreements ^(*)	344,060	3,439,000
Cash and cash equivalents	29,102,836	3,744,835
Interest accrued on cash equivalents	(7,134)	-
Restricted balance	(354,056)	-
Cash and cash equivalents in the statements of cash flows	28,741,646	3,744,835

- (*) TSKB and the Company have signed an “Account Restriction Contract” numbered 96686-11110 and dated 27 September 2010 for the guarantee of the repayment of the loan utilized by the Company from TSKB. According to the agreement, TSKB, with the demand of the Company, may perform reverse repo, stock exchange transactions and other capital market transactions on behalf of TSKB GYO. As at 30 September 2010, the total amount of restricted balance is TL 354,056 which comprises of receivables from receivables from reverse repo agreements that started at 30 September 2010 and due on 1 October 2010 with an interest rate of 6.4% amounting to TL 344,060 and demand deposits amounting to TL 9,996 (31 December 2009: nil). Restricted balance is disclosed under “Other current/non-current assets” and “Other current/non-current liabilities” (Note 11).

As at 30 September 2010, the details of time deposits at banks are as follows:

30 September 2010	Amount	Interest rate (%)	Maturity
TL	10,124,837	9.00	1 November 2010
TL	10,124,836	9.00	1 November 2010
TL	4,037,825	9.00	1 November 2010
TL	2,353,580	8.25	1 November 2010
TL	2,055,763	9.00	1 November 2010
	28,696,841		

As at 31 December 2009, receivables from reverse repo agreements are as follows:

31 December 2009	Amount	Interest rate (%)	Maturity
TL	3,439,000	6.25	4 January 2010

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010***(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***4. LOANS AND BORROWINGS**

As at 30 September 2010 and 31 December 2009, the details of loans and borrowings are as follows:

	30 September 2010	31 December 2009
Short-term:		
Current portion of long-term bank borrowings	17,804,171	12,163,009
Total	17,804,171	12,163,009
Long-term:		
Long-term bank borrowings	89,415,449	113,699,428
Long-term finance lease payables	304	304
Total	89,415,753	113,699,732
Total loans and borrowings	107,219,924	125,862,741

As at 30 September 2010 and 31 December 2009, the details of bank loans are as follows:

30 September 2010				
Currency	Interest rate (%)	Original currency	Short-term (TL)	Long-term (TL)
USD	Libor + 4.50	23,354,016	5,983,651	27,907,696
Euro	Euribor + 5.00	18,032,465	6,370,215	29,251,117
Euro	Euribor + 5.50	15,944,168	4,630,670	26,865,440
Euro	Euribor + 3.75	3,144,088	819,635	5,391,196
			17,804,171	89,415,449
31 December 2009				
Currency	Interest rate (%)	Original currency	Short-term (TL)	Long-term (TL)
USD	Libor + 4.50	25,691,870	3,937,324	34,746,924
Avro	Euribor + 5.00	5,467,805	1,243,247	10,568,853
Avro	Euribor + 5.00	4,332,977	985,214	8,375,317
Avro	Euribor + 3.75	3,289,599	817,647	6,288,873
Avro	Euribor + 5.50	4,555,971	769,004	9,073,260
Avro	Euribor + 5.00	3,082,838	677,485	5,982,370
Avro	Euribor + 5.50	3,574,340	664,667	7,056,981
Avro	Euribor + 5.50	4,029,214	639,192	8,065,119
Avro	Euribor + 5.00	2,579,153	586,437	4,985,307
Avro	Euribor + 5.50	3,052,718	545,946	6,048,840
Avro	Euribor + 5.00	2,322,032	529,509	4,486,777
Avro	Euribor + 5.00	2,064,029	470,675	3,988,246
Avro	Euribor + 5.50	2,003,991	296,662	4,032,561
			12,163,009	113,699,428

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010**

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5. TRADE RECEIVABLES AND PAYABLES**Trade receivables***Current trade receivables*

	30 September 2010	31 December 2009
Due from related parties (Note 20)	571	-
Other trade receivables ^(*)	1,312,782	840,794
Doubtful receivables	745,962	-
Less: Allowance for doubtful receivables	(686,964)	-
Total	1,372,351	840,794

(*) As at 30 September 2010, current trade receivables comprises of rent receivables amounting to TL 643,435, receivables arising from Pendorya Mall cost allocation charges amounting to TL 277,321, receivables arising from cost allocation charges to project partners of the projects amounting to TL 336,360 and other trade receivables amounting to TL 55,666.

As at 30 September 2010, the movement of doubtful trade receivables related to rent receivables and receivables from cost allocation charges from Pendorya Mall is as follows:

	30 September 2010	31 December 2009
Beginning of period	-	-
Allowance for the period	686,964	-
End of period	686,964	-

Non-current trade receivables

None.

Trade payables*Short-term trade payables*

	30 September 2010	31 December 2009
Due to related parties (Note 20)	6,524	-
Other ^(*)	961,764	4,397,393
Total	968,288	4,397,393

(*) As at 30 September 2010, short-term trade payables comprise of trade payables arising from payables to contractors amounting to TL 246,873, payables for consulting services amounting to TL 231,441, payables for advertising services amounting to TL 189,576, payables to security services amounting to TL 108,215 and other payables amounting to TL 185,659.

Long-term trade payables

None.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010**

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6. INVESTMENT PROPERTY

As at 30 September 2010 and 31 December 2009, the details of investment properties are as follows:

	30 September 2010	31 December 2009
Investment property under operating lease	272,599,923	267,340,000
Investment property under construction	11,337,399	11,635,800
Total	283,937,322	278,975,800

The movement of investment property as at 30 September 2010 and 31 December 2009 are presented below:

30 September 2010	1 January 2010	Additions	Disposals	30 September 2010
Tahir Building	5,885,000	-	-	5,885,000
Fındıklı Building 1	36,935,000	154,353	-	37,089,353
Fındıklı Building 2	36,750,000	10,137	-	36,760,137
Pendorya Mall	187,770,000	5,192,839	(97,406)	192,865,433
Adana Land Project Development	11,635,800	484,142	(782,543)	11,337,399
	278,975,800	5,841,471	(879,949)	283,937,322

31 December 2009	1 January 2009	Transfers	Additions	Disposals	Change in fair value	31 December 2009
Tahir Building	5,415,000	-	-	-	470,000	5,885,000
Fındıklı Building 1	35,515,000	-	-	-	1,420,000	36,935,000
Fındıklı Building 2	34,650,000	-	-	-	2,100,000	36,750,000
Pendorya Mall	-	65,029,787	76,439,120	(2,514,080)	48,815,173	187,770,000
Adana Land Project Development	-	11,694,581	697,447	-	(756,228)	11,635,800
	75,580,000	76,724,368	77,136,567	(2,514,080)	52,048,945	278,975,800

Tahir Building

Tahir Building is registered in Beyoğlu, Kemankeş Street, Murakıp District, map 121, plot 77, parcel 57. The parcel has an area of 606.62 square meters. The building area is calculated as 3,300 square meters according to the measurements made.

The value of the investment property was determined as TL 2,591,110 for 106/144 shares according to the report dated 7 November 2005 prepared by the experts assigned by the Commercial Court, and this amount was transferred by TSKB to the Company as capital in kind on 6 March 2006. TL 38,880 paid by the Company to public institutions for the transfer of the investment property was capitalized. According to the report dated 28 December 2009 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of Tahir Building is determined as TL 5,885,000 according to the market value approach. Rental income amounting to TL 30,212 was earned for Tahir Building for the nine-month period ended 30 September 2010 (30 September 2009: TL 44,637). There is no restriction on the investment property.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

6. INVESTMENT PROPERTY (continued)

Fındıklı Building 1

Fındıklı Building 1 is registered in Beyoğlu, Mebusan Street, map 85, plot 19, parcel 110. The parcel has a right for an area of 1,695.50 square meters and a subway of 89.39 square meters.

The investment property was purchased from TSKB at TL 32,858,918 on 27 December 2007. TL 465,000 paid by the Company to public institutions for the transfer of the investment property was capitalized. In accordance with the report dated 28 December 2009 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of Fındıklı Building 1 is determined as TL 36,935,000 according to the market value approach.

In accordance with the decision taken in the board of directors meeting, held on 28 December 2007, the Company rented this property to TSKB and its affiliates. Rental income amounting to TL 1,800,675 was earned for Fındıklı Building 1 for the nine-month period ended 30 September 2010 (30 September 2009: TL 1,683,975). There is no restriction on the investment property.

Fındıklı Building 2

Fındıklı Building 2 is registered in Beyoğlu, Mebusan Street, map 84, plot 1486, parcel 76. The parcel has an easement right for an area of 2,503.18 square meters and subway of 89.39 square meters.

The investment property was purchased from TSKB at TL 31,140,783 on 27 December 2007. TL 463,200 paid by the Company to public institutions for the transfer of the investment property was capitalized. According to the report dated 28 December 2009 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of Fındıklı Building 2 is determined as TL 36,750,000 according to the market value approach.

In accordance with the decision taken in the board of directors meeting, held on 28 December 2007, the Company rented this property to TSKB and its affiliates. Rental income amounting to TL 1,684,630 was earned for Fındıklı Building 2 for the nine-month period ended 30 September 2010 (30 September 2009: TL 1,576,149). There is no restriction on the investment property.

Pendorya Mall

Pendorya Mall is registered in Pendik, Doğu District, plot 105, map 865, parcel 64. The parcel has an area of 23,182.96 square meters. In Pendorya Mall, whose leasable area is 30,275 square meters, there are 106 stores spread over eight floors. The Company has 95% stake in Pendorya Mall. Pendorya Mall was recognized as tangible asset at cost until 1 January 2009 and classified to the investment property with its cost value on 1 January 2009.

Pendorya Mall was opened on 17 December 2009 following the completion of construction and it was measured at fair value as at 31 December 2009. The value increase of TL 48,815,173, arising from the difference between the cost and fair value at 31 December 2009, was accounted for under other operating income.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

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6. INVESTMENT PROPERTY (continued)

Pendorya Mall (continued)

According to the report dated 28 December 2009 prepared by Elit Ekspertiz ve Değerleme AŞ, which is included in the list to provide valuation service by the CMB, the fair value assessed for 95% shares of Pendorya Mall owned by the Company, was determined as TL 187,770,000 according to income approach. Income approach refers to the long-term projection using present value of after-tax cash flows to be generated by the property in the future years. The future cash flows were calculated using the assumptions taken into consideration the store rental agreements and meetings with the Company. The cash inflows from projections are discounted to present value with a discount rate suitable with the risk level of the economy, sector and investment and its fair value of the mall was calculated including the land. Additional expenditures which increase the fair value of the mall were capitalized as current year additions during the first nine months of 2010.

There is a mortgage amounting to USD 82,500,000 and EUR 25,500,000 on the Pendik land owned by the Company due to the loans received from TSKB (Note 9).

90% (31 December 2009: 76%) of the rentable area of Pendorya Mall, which was opened on 17 December 2009, has been rented as at 30 September 2010. Rental income amounting to TL 5,790,348 was earned for Pendorya Mall during the nine-month period ended 30 September 2010 (30 September 2009: nil).

Adana Land Project Development

The Adana land is registered in Adana province, Seyhan Town, Çınarlı District, map 1653, plot 143. The parcel has an area of 3,608 square meters. The shareholding structure of the land purchased in the scope of the ongoing project development stage in Adana is 50%-50%.

The Adana land was purchased at TL 9,863,151 on 6 November 2007. According to the report dated 25 December 2009 prepared by a real estate appraisal company, which is included in the list to provide valuation service by the CMB, the fair value of the Adana land is determined as TL 11,635,800 for 50% shares of the land owned by the Company determined according to the market value approach.

There is mortgage on the Adana land amounting to USD 15,000,000 due to the loan received from Türkiye İş Bankası AŞ (Note 9).

Operating leases

The Company as lessor

The Company has signed operating lease agreements with Pendorya Mall tenants and TSKB as lessor. The future minimum lease payments as at 30 September 2010 and 31 December 2009 under non-cancellable leases are as follows:

	30 September 2010	31 December 2009
Less than one year	12,254,580	11,503,422
Between one and five years	39,370,671	43,488,677
More than five years	17,461,685	20,593,355
Total	69,086,936	75,585,454

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

7. TANGIBLE ASSETS

Movement schedule of tangible assets for the periods ended 30 September 2010 and 31 December 2009 are as follows:

	1 January 2010	Additions	Disposals	Transfers	30 September 2010
<u>Cost</u>					
Furniture and fixtures	29,526	26,734	-	-	56,260
Vehicles	32,402	-	-	-	32,402
	61,928	26,734	-	-	88,662
<u>Accumulated depreciation</u>					
Furniture and fixtures	27,024	6,012	-	-	33,036
Vehicles	9,475	8,886	-	-	18,361
	36,499	14,898	-	-	51,397
	25,429				37,265
	1 January 2009	Additions	Disposals	Transfers	31 December 2009
<u>Cost</u>					
Furniture and fixtures	26,746	2,780	-	-	29,526
Vehicles	-	32,402	-	-	32,402
Pendorya Mall	65,029,787	-	-	(65,029,787)	-
Adana land project development	11,694,581	-	-	(11,694,581)	-
	76,751,114	35,182		(76,724,368)	61,928
<u>Accumulated depreciation</u>					
Furniture and fixtures	22,191	4,833	-	-	27,024
Vehicles	-	9,475	-	-	9,475
	22,191	14,308	-	-	36,499
	76,728,923				25,429

As at 30 September 2010 and 31 December 2009, there is no pledge on tangible assets.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

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8. INTANGIBLE ASSETS

For the nine-month period ended 30 September 2010, the movement of intangible assets is as follows:

	1 January 2010	Additions	Disposals	Transfers	30 September 2010
Cost					
Software	-	16,515	-	-	16,515
	-	16,515	-	-	16,515
Accumulated amortization					
Software	-	3,507	-	-	3,507
	-	3,507	-	-	3,507
Net	-	13,008			13,008

As at 30 September 2010, the Company does not have any internally generated intangible assets.

9. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As at 30 September 2010 and 31 December 2009, there is not any lawsuit claimed against or claimed by the Company.

The details of letter of guarantees received are as follows:

	30 September 2010	31 December 2009
Letters of guarantees received	3,096,576	7,107,073
Total	3,096,576	7,107,073

Letters of guarantee received consist of letters of guarantee received from contractors of Pendorya Mall project and from tenants for shopping mall.

The details of letter of guarantees given are as follows:

	30 September 2010	31 December 2009
Mortgages given	191,864,700	201,893,400
Letters of guarantee given	3,000,000	-
Total	194,864,700	201,893,400

There is a mortgage amounting to USD 82,500,000 and EUR 25,500,000 on Pendik land owned by the Company due to the received from TSKB, In addition, there is a mortgage amounting to USD 15,000,000 on the Adana land due to the loans received from Türkiye İş Bankası AŞ.

With the Board of Directors resolution numbered 105 dated 30 March 2010, a letter of guarantee was given to the Istanbul Metropolitan Municipality amounting to TL 3,000,000 for the road construction around Pendorya Mall.

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(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

9. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (continued)

Restrictions on the investment portfolio of real estate investment

In accordance with the 27/b article of the Communiqué on Real Estate Investment Trusts numbered 11 of the CMB; the Company can keep maximum 10% of its portfolio in demand or time deposits in foreign or local currencies. According to the Article 27/d of the same Communiqué, the percentage of land which is in the portfolio without any project savings for developing on it within five years after the purchase date, cannot exceed 10% of its portfolio. In accordance with the Article 35 of the Communiqué on Real Estate Investment Trusts, the Company is restricted from using bank loans more than three times of the net asset value in the last three months.

As of 30 September 2010 and 31 December 2009, the Company complied with all these restrictions.

10. PROVISION FOR EMPLOYEE BENEFITS

	30 September 2010	31 December 2009
<i>Short-term</i>		
Provision for unused vacation	4,693	8,686
<i>Long-term</i>		
Provision for employee severance indemnity	12,950	8,602
Total	17,643	17,288

In accordance with existing Turkish Labor Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The computation of the liability is based upon the retirement pay ceiling announced by the Government. The applicable ceiling amount as at 30 September 2010 is TL 2,517 (31 December 2009: TL 2,365).

In accordance with TAS 19 – *Employee Benefits*, the Company is required to use actuarial valuation methods in estimating the liability related with current retirement plans. As at 30 September 2010 and 31 December 2009, employee severance indemnity in the accompanying financial statements has been calculated using the following actuarial assumptions;

	30 September 2010	31 December 2009
Discount rate	5.92%	5.92%
Estimated retirement turnover rate	96%	95%

Movement of provision for employee termination benefits is as follows:

	30 September 2010	31 December 2009
Opening balance	8,602	1,210
Service cost	2,924	88
Interest cost	4,960	72
Actuarial difference	(3,536)	7,232
Closing balance	12,950	8,602

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞNOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH
INTERIM PERIOD ENDED 30 SEPTEMBER 2010*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***11. OTHER CURRENT / NON-CURRENT ASSETS AND OTHER SHORT-TERM / LONG-TERM LIABILITIES***Other current assets*

	30 September 2010	31 December 2009
VAT carried forward	3,138,129	2,361,379
Prepaid taxes and funds	471,595	262,186
Income accruals	121,591	-
Prepaid expenses	49,958	169,821
Advances given	33,801	144,594
Job advances	9,402	-
Other	74,912	164,616
Total	3,899,388	3,102,596

Other non-current assets

	30 September 2010	31 December 2009
VAT carried forward	11,529,641	11,538,401
Deposits and guarantees given	203,276	111,210
Prepaid expenses	6,219	12,376
Total	11,739,136	11,661,987

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

11. OTHER CURRENT / NON-CURRENT ASSETS AND LIABILITIES (continued)***Other short-term liabilities***

	30 September 2010	31 December 2009
Unearned revenue ^(*)	309,084	128,903
Taxes and duties payable	199,198	827,951
Provision for tax penalty ^(**)	142,906	97,828
Expense accruals	100,120	-
Provision for construction firm payments	--	2,788,518
Other	6,467	18,586
Total	757,775	3,861,786

(*) As of 30 September 2010 and 31 December 2009, unearned revenue for the following months comprise of rent income collected in advance.

(**) According to Article 5/1(d) (4) of Corporate Tax Law, the income of Real Estate Investment Trusts is exempt from Corporate Income Tax. In March 2010, tax penalties have been charged by the Board of Account Experts to the Company for the income arising for the period that the shares of the Company were not publicly traded claiming that Real Estate Investment Trusts whose shares are not publicly traded shall not benefit from that exemption. On the other hand, the view of the CMB related to the mentioned subject is that, if application is approved by the CMB, Real Estate Investment Trust status is gained at the establishment or in case of a conversion, at the approval of the articles of the association. On 29 March 2010, the Company has requested a compromise with the Tax Administration and based on the amount estimated to be paid after the compromise, a provision amounting to TL 100,120 has been recognized in the accompanying financial statements.

Other long-term liabilities

	30 September 2010	31 December 2009
Deposits and guarantees received	72,705	79,510
Total	72,705	79,510

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

12. EQUITY

12.1. Paid in capital

At 30 September 2010 and 31 December 2009, the issued and fully paid-in share capital of the Company is as follows:

		30 September 2010		31 December 2009	
		Share %	Amount (TL)	Share %	Amount (TL)
Türkiye Sınai Kalkınma Bankası AŞ	A	6.67	10,000,000	10.00	10,000,000
Türkiye Sınai Kalkınma Bankası AŞ	B	2.73	4,091,111	4.09	4,091,111
Türkiye Sınai Kalkınma Bankası AŞ	C	49.61	74,408,889	81.91	81,908,889
Yatırım Finansman Menkul Değerler AŞ	C	1.33	2,000,000	2.00	2,000,000
TSKB AŞ Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı	C	0.77	1,150,000	1.15	1,150,000
TSKB Gayrimenkul Değerleme AŞ	C	0.30	449,998	0.45	450,000
TSKB AŞ Memur Müstah. Yardım ve Emeklilik Vakfı	C	0.27	400,000	0.40	400,000
Other shareholders	C	0.00	2	-	-
Publicly held	C	38.32	57,500,000	-	-
Paid in capital		100.00	150,000,000	100.00	100,000,000

The Company shares are issued to three type of groups; Group A and Group B to names and the Group C to holders. The Group A and Group B shares have the right to vote for the election of members of the Board of Directors (“BOD”). Six members of the BOD shall be elected from candidates of the Group A shareholders and one member shall be elected from candidates of the Group B shareholders. Capital increases in the Group A, B and C shares are issued as the Group A, B and C shares, respectively. If the BOD restricts the right of owning new shares for shareholders, new shares are issued as the Group C shares.

As at 30 September 2010, registered capital ceiling is TL 200,000,000 (31 December 2009: TL 100,000,000).

12.2. Restricted reserves

As at 30 September 2010 and 31 December 2009, restricted reserves comprised of the legal reserves amounting to TL 152,670.

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group’s historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

In accordance with the Communiqué Serial: XI, No: 29 published on the Official Gazette dated 9 April 2008, paid in capital, share premium, special and legal reserves presented under restricted reserves shall be presented at their carrying amount in statutory records.

12.3. Share premium

Shares with TL 50,000,000 nominal value corresponding 33.33% of the share capital of the Company have been offered to public with a price of TL 1.05 per share on 1 and 2 April 2010 and TL 2,500,000 has been recognized in equity as “share premium”. Commission, advertisement and legal advice expenses attributable to the issuance of shares amounting to TL 1,906,860 have been presented as a deduction from the share premium.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010***(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***13. SALES AND COST OF SALES**

For the periods ended 30 September 2010 and 2009, revenue is as follows:

Revenue	1 January - 30 September 2010	1 July - 30 September 2010	1 January - 30 September 2009	1 July - 30 September 2009
Rent income on Pendorya Mall	5,790,348	1,679,454	-	-
Rent income on Fındıklı Building 1	1,800,675	600,224	1,683,975	656,298
Rent income on Fındıklı Building 2	1,684,630	561,483	1,576,149	430,422
Rent income on Tahir Building	30,212	9,754	44,637	13,759
Total rent income	9,305,865	2,850,915	3,304,761	1,100,479
Pendorya Mall service and management charges	1,659,321	519,180	-	-
Total	10,965,186	3,370,095	3,304,761	1,100,479

For the periods ended 30 September 2010 and 2009, cost of sales are as follows:

Cost of sales	1 January - 30 September 2010	1 July - 30 September 2010	1 January - 30 September 2009	1 July - 30 September 2009
Electricity, water and gas expenses	605,180	145,396	-	-
Security expenses	601,066	153,128	-	-
Cleaning expenses	484,522	138,359	-	-
Maintenance expenses	381,740	64,971	33,142	-
Management service expenses	366,524	182,023	-	-
Service expenses	308,376	111,164	-	-
Taxes and levies	293,648	271	69,163	-
Supplies	283,189	4,794	-	-
Penalties and fines	208,042	-	-	-
Food expenses	177,147	48,989	-	-
Consulting expenses	164,833	63,020	-	-
Transportation expenses	155,453	54,859	-	-
Water expenses	143,666	56,629	-	-
Insurance expenses	112,257	37,419	65,902	22,020
Natural gas expenses	93,402	8,016	3,455	3,455
Decoration expenses	64,847	-	-	-
Other expenses	474,952	14,382	3,063	-
Total	4,918,844	1,083,420	174,725	25,475

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

14. ADMINISTRATIVE EXPENSES

For the periods ended 30 September 2010 and 2009, administrative expenses are as follows:

	1 January - 30 September 2010	1 July - 30 September 2010	1 January - 30 September 2009	1 July - 30 September 2009
Personnel expenses	975,016	257,259	795,447	220,521
Provision for doubtful receivables	686,964	9,958	-	-
Initial public offering expenses ^(*)	457,367	-	-	-
Consultancy expenses	190,379	33,359	145,472	28,724
Travel and transportation expenses	41,149	8,806	36,747	11,842
Depreciation expenses	14,898	5,105	7,942	6,803
Amortization expenses	3,507	2,703	-	-
Other expenses	102,225	35,602	133,174	53,295
Total	2,471,505	352,792	1,118,782	321,185

(*) Public offering expenses amounting to TL 457,367 comprises of quotation expenses amounting to TL 150,000, CMB registration expenses amounting to TL 118,400, Central Registry Agency subscription fee amounting to TL 52,500 and other initial public offering expenses amounting to TL 136,467. Commission expenses amounting to TL 1,185,188, advertising expenses amounting to TL 568,487 and legal advisory expenses amounting to TL 153,185 attributable to the issuance of shares have been deducted from share premium amounting to TL 2,500,000.

Personnel expenses

	1 January - 30 September 2010	1 July - 30 September 2010	1 January - 30 September 2009	1 July - 30 September 2009
Salaries and wages	704,969	183,974	558,317	149,378
Salaries and other benefits paid to the BOD	185,547	64,800	172,800	59,400
Social security expenses	45,369	16,473	38,106	12,788
Provision for employment termination	4,348	1,155	5,695	828
Provision for vacation pay liability	(3,993)	(23,465)	9,478	(12,924)
Other	38,776	14,322	11,051	11,051
Total	975,016	257,259	795,447	220,521

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞNOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH
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For the periods ended 30 September 2010 and 2009, selling and marketing expenses are as follows:

	1 January - 30 September 2010	1 July - 30 September 2010	1 January - 30 September 2009	1 July - 30 September 2009
Advertising expenses	1,622,159	556,588	86,280	32,034
Total	1,622,159	556,588	86,280	32,034

16. OTHER OPERATING INCOME / EXPENSES

For the periods ended 30 September 2010 and 2009, other operating income and expenses are as follows:

	1 January - 30 September 2010	1 July - 30 September 2010	1 January - 30 September 2009	1 July - 30 September 2009
Other operating income				
Other income	15,316	486	4,231	-
Total	15,316	486	4,231	-

	1 January - 30 September 2010	1 July - 30 September 2010	1 January - 30 September 2009	1 July - 30 September 2009
Other operating expenses				
Provision for tax penalty (Note 11)	100,120	-	-	-
Commission expenses	72,234	17,077	24,641	4,448
Total	172,354	17,077	24,641	4,448

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010**

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17. FINANCIAL INCOME / EXPENSES

For the periods ended 30 September 2010 and 2009, financial income and expenses are as follows:

Financial income	1 January - 30 September 2010	1 July - 30 September 2010	1 January - 30 September 2009	1 July - 30 September 2009
Foreign exchange gains, net	8,241,988	939,605	-	-
Interest income from bank deposits	854,961	582,109	558,516	74
Income from reverse repo agreements	547,864	87,678	229,923	28,474
Income from trading securities	20,051	16,821	7,120	-
Total	9,664,864	1,626,213	795,559	28,548

Financial expenses	1 January - 30 September 2010	1 July - 30 September 2010	1 January - 30 September 2009	1 July - 30 September 2009
Interest expenses	5,121,396	1,645,366	-	-
Foreign exchange losses, net	-	-	29,187	16,430
Total	5,121,396	1,645,366	29,187	16,430

18. TAX ASSETS AND LIABILITIES

According to Article 5/1(d) (4) of the New Corporate Tax Law, the income of real estate investment trusts is exempt from Corporate Income Tax in Turkey.

Since the Company is exempt from the Corporate Tax in accordance with the law, deferred tax was not calculated.

19. EARNINGS PER SHARE

Earnings per share stated in statement of income is calculated by dividing net income for the period by the weighted average number of the Company's shares for the period. Calculation of the earnings per share for the period ended 30 September 2010 and 2009 are presented below:

	1 January - 30 September 2010	1 July - 30 September 2010	1 January - 30 September 2009	1 July - 30 September 2009
Net profit for the period	6,339,108	1,341,551	2,670,936	729,455
Weighted average number of shares	133,150,183	150,000,000	100,000,000	100,000,000
Earnings per share	0.0476	0.0089	0.0267	0.0073

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20. RELATED PARTY DISCLOSURE**20.1. Related party balances**

	30 September 2010	31 December 2009
<i>Banks – demand deposits</i>		
Türkiye İş Bankası AŞ	25,738	34,621
Türkiye Sınai Kalkınma Bankası AŞ	15,424	236,915
<i>Banks – time deposits</i>		
Türkiye İş Bankası AŞ	10,124,837	-
<i>Banks – restricted deposits</i>		
Türkiye Sınai Kalkınma Bankası AŞ	354,056	-
Total	10,520,055	271,536
<i>Due from related parties</i>		
Vakıf Finansal Kiralama AŞ	571	-
Total	571	-
<i>Prepaid expenses</i>		
Türkiye Sınai Kalkınma Bankası AŞ	43,801	10,154
Total	43,801	10,154
<i>Bank borrowings</i>		
Türkiye Sınai Kalkınma Bankası AŞ	101,008,788	118,755,917
Türkiye İş Bankası AŞ	6,210,832	7,106,520
Total	107,219,620	125,862,437
<i>Financial lease liabilities</i>		
Vakıf Finansal Kiralama AŞ	304	304
Total	304	304
<i>Due to related parties</i>		
TSKB Gayrimenkul Değerleme AŞ	4,720	-
Türkiye Sınai Kalkınma Bankası AŞ	1,804	-
Total	6,524	-

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞNOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH
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20. RELATED PARTY DISCLOSURES (continued)**20.2. Related party transactions**

	1 January - 30 September 2010	1 July - 30 September 2010	1 January - 30 September 2009	1 July - 30 September 2009
<i>Rent income from related parties</i>				
Türkiye Sınai Kalkınma Bankası AŞ	3,386,892	1,127,632	3,180,469	1,060,157
TSKB Gayrimenkul Değerleme AŞ	69,933	23,311	65,400	21,800
TSKB Yatırım Ortaklığı AŞ	7,875	2,625	7,365	2,455
TSKB AŞ Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Vakfı	5,103	1,701	4,773	1,591
TSKB Gayrimenkul Aracılık Hizm. AŞ	6,615	2,835	-	-
TSKB Gayrimenkul Danışmanlık AŞ	6,615	2,835	-	-
Total	3,483,033	1,160,939	3,258,007	1,086,003
<i>Interest income from related parties</i>				
Türkiye İş Bankası AŞ	237,741	234,974	962	74
Total	237,741	234,974	962	74
<i>Interest expenses to related parties</i>				
Türkiye Sınai Kalkınma Bankası AŞ	5,047,200	1,571,170	-	-
Total	5,047,200	1,571,170	-	-
<i>Loan and insurance commission expenses</i>				
Türkiye Sınai Kalkınma Bankası AŞ	65,137	13,364	852,801	782,464
Türkiye İş Bankası AŞ	108	34	193	1
Total	65,245	13,398	852,994	782,465
<i>Other expenses</i>				
Türkiye Sınai Kalkınma Bankası AŞ	612,450	-	65,632	25,067
Yatırım Finansman Menkul Değerler AŞ	375,245	-	-	-
Total	987,695	-	65,632	25,067
<i>Capitalized interest expenses</i>				
Türkiye Sınai Kalkınma Bankası AŞ	-	-	3,580,992	1,448,731
Türkiye İş Bankası AŞ	227,534	78,375	404,053	94,822
Total	227,534	78,375	3,985,045	1,543,553
<i>Key management personnel compensation</i>				
Benefits paid to the Board of Directors	185,547	64,800	134,400	46,200
Total	185,547	64,800	134,400	46,200

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

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21. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

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

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

21.1. Credit risk

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

The Company adopts a liquid portfolio management approach for use in possible property projects and it uses short-term instruments. The Board of Directors determines the portfolio management strategy for financial assets of the Company and the comparison criteria, considering the economic developments and expectations.

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

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21. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

21.1. Credit risk (continued)

As at 30 September 2010 and 31 December 2009, credit risk exposure of financial assets is as follows:

	Receivables				Bank deposits	Financial investments	Derivative instruments	Other
	Trade receivables		Other receivables					
	Related parties	Other parties	Related parties	Other parties				
30 September 2010								
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	571	1,371,780	-	-	28,748,011	344,060	-	-
- Maximum credit risk amount secured with guarantees	-	464,689	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	571	1,312,782	-	-	28,748,011	344,060	-	-
B. Net book value of restructured financial assets	-	-	-	-	-	-	-	-
C. Net book value of past due but not impaired financial assets	-	-	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	58,998	-	-	-	-	-	-
- Past due (Gross amount)	-	745,962	-	-	-	-	-	-
- Impairment (-)	-	686,964	-	-	-	-	-	-
- Net book value secured with guarantees	-	58,998	-	-	-	-	-	-
-Not past due (Gross amount)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

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21. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

21.1. Credit risk (continued)

31 December 2009	Receivables				Bank Deposits ⁽¹⁾	Financial investments	Derivative instruments	Other
	Trade receivables		Other receivables					
	Related parties	Other parties	Related parties	Other parties				
Exposure to maximum credit risk as of reporting date (A+B+C+D+E)	-	840,794	-	-	3,743,274	-	-	-
- Maximum credit risk amount secured with guarantees	-	569,321	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	-	840,794	-	-	3,743,274	-	-	-
B. Net book value of restructured financial assets	-	-	-	-	-	-	-	-
C. Net book value of past due but not impaired financial assets	-	-	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-	-
- Past due (Gross amount)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
-Not past due (Gross amount)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- Net book value secured with guarantees	-	-	-	-	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-	-	-	-	-

⁽¹⁾ Receivables from reserve repo agreements are included.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

21. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

21.2. Liquidity risk

Liquidity risk is the inability of the Company to match the net funding requirements with sufficient liquidity. The Company uses its funds from borrowings in investment property project developments.

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

30 September 2010	Carrying value	Total of contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	107,219,924	128,009,956	8,200,720	14,497,904	80,922,524	24,388,809
Trade payables	968,288	968,288	968,288	-	-	-
Total	108,188,212	128,978,244	9,169,008	14,497,904	80,922,524	24,388,809
<hr/>						
31 December 2009	Carrying value	Total of contractual cash flows	Up to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	125,862,741	154,348,557	268	16,496,604	111,945,272	25,906,413
Trade payables	4,397,393	4,397,393	4,397,393	-	-	-
Total	130,260,134	158,745,950	4,397,661	16,496,604	111,945,272	25,906,413

As at 30 September 2010 and 31 December 2009, the Company does not have any derivative financial liabilities.

21.3. Market risk

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

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

TSKB GAYRİMENKUL YATIRIM ORTAKLIĞI AŞ**NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010***(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***21. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)****21.3. Market risk (continued)****Foreign currency risk**

Exchange risk comprises the effects arising from exchange movements in the event foreign currency assets, liabilities and off-balance sheet items are owned.

In order to offset the effects of long term foreign currency liabilities, the Company draws up foreign currency denominated rent agreements of Pendorya Mall.

The exchange rates applied as at 30 September 2010 and 31 December 2009 are as follows:

	USD	EURO	GBP
30 September 2010	1.4512	1.9754	2.2937
31 December 2009	1.5057	2.1603	-

The following table details the Company's foreign currency position risk as at 30 September 2010 and 31 December 2009. The foreign currency assets and liabilities kept by the Company in TL are as follows:

30 September 2010	TL equivalent (functional currency)	USD	EURO	GBP
Monetary financial assets (Cash, bank balances included)	12,461	63	4,350	1,647
Total assets	12,461	63	4,350	1,647
Short-term loans and borrowings	17,804,171	4,123,244	5,983,862	-
Long-term loans and borrowings	89,415,449	19,230,772	31,136,860	-
Other liabilities	72,705	-	36,805	-
Total liabilities	107,292,325	23,354,016	37,157,527	-
Net foreign currency position	(107,279,864)	(23,353,953)	(37,153,177)	1,647

31 December 2009	TL equivalent (functional currency)	USD	EURO	Other
Monetary financial assets (Cash, bank balances included)	244,179	-	113,030	-
Total assets	244,179	-	113,030	-
Short-term loans and borrowings	12,163,009	2,614,946	3,807,659	-
Long-term loans and borrowings	113,699,428	23,076,924	36,547,009	-
Other liabilities	79,510	-	36,805	-
Total liabilities	125,941,947	25,691,870	40,391,473	-
Net foreign currency position	(125,697,768)	(25,691,870)	(40,278,443)	-

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

*(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)***21. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS** *(continued)***21.3. Market risk** *(continued)***Interest rate risk**

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

The table below shows the financial instruments sensitive to interest rates as of 30 September 2010 and 31 December 2009:

	30 September 2010	31 December 2009
<i>Financial instruments with fixed interest rates</i>		
Financial assets	28,696,841	3,349,000
Financial liabilities	304	304
<i>Financial instruments with variable interest rates</i>		
Financial liabilities	107,219,620	125,862,437

Interest rates which are applied to financial instruments as at 30 September 2010 and 31 December 2009 are as follows:

	30 September 2010		31 December 2009	
<i>Financial instruments</i>				
Time deposits	TL	9.00%	-	-
Receivables from reverse repo agreements	TL	-	TL	6.25%
Bank borrowings	USD	5.09%	USD	4.94%
Bank borrowings	Avro	6.43%	Avro	5.84%

Interest rate sensitivity

As at 30 September 2010, a change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

	Profit/loss		Shareholders' equity^(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 September 2010				
Financial liabilities with variable interest rates	(207,679)	208,236	(207,679)	208,236
31 December 2009				
Financial liabilities with variable interest rates	(319,417)	319,417	(319,417)	319,417

^(*) Profit/loss effect is included.

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE NINE-MONTH INTERIM PERIOD ENDED 30 SEPTEMBER 2010

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

22. FINANCIAL INSTRUMENTS

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties.

A number of the Company’s accounting policies and disclosures require the determination of fair value for financial assets and liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Following assumptions and methods are used to estimate fair value of financial instruments, if fair values are applicable.

Financial assets

The Company assumes that the carrying values of trade receivables are close to their fair value because of their short-term nature.

Financial liabilities

The Company assumes that the carrying values of the trade payables and other liabilities are close to their fair value because of their short-term nature.

Bank borrowings are measured with their amortized cost value by adding transaction costs to their acquisition costs. It is assumed that carrying values of variable rate borrowings are close to their fair values as they are repriced considering the market conditions.

23. SUBSEQUENT EVENTS

As per the Board of Directors minute numbered 123, dated 1 October 2010, one year matured protocol of intent and exclusivity has signed between the Company and the owners of the land, which is a total of 21,364.68 square meters located on the way to Mudanya, Nilüfer district at Bursa, in order to develop a joint project consisting of hotel, residential and commercial units construction by the revenue sharing model.

The Company has taken a letter of guarantee amounting to TL 300,000 at 14 October 2010 in order to give a letter of guarantee to the National Lottery in return for a campaign mounted for the Pendorya Mall.